

Communications report
2010–11 series
**Report 1 —
E-commerce
marketplace in Australia:
Online shopping**

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Executive summary

Introduction

Australians continue to embrace the internet, enabling the ongoing development of the digital economy. To the majority of Australians, going online is the norm for everyday social and economic interactions—at April 2011, 59 per cent of adults went online several times a day for purposes not related to their work. This has increased from 53 per cent in November 2009. While Australians undertake a variety of activities via the internet, growth in online transacting (banking, bill payment and purchasing) is at the core of changing service delivery models and the transformation of customer service delivery.

The key changes identified in this report include:

- > greater use by businesses of group buying and social media as online shopping channels to complement traditional shopfront services
- > increased revenues from online shopping channels
- > more purchases being made online by Australian consumers
- > a significant shift to overseas websites for online purchasing
- > increased use of mobile or m-commerce, with banking and bill payment activities dominating
- > a decline in the proportion of people reporting lack of trust in the internet as a barrier to purchasing online.

The online shopping market can be challenging for the Australian consumer to navigate. This is a reflection of the growing number and variety of service providers both in Australia and overseas, the range of goods and services on offer for purchase online, and trust and security issues with transacting online. Despite these issues, Australians have embraced online shopping, highlighting the tangible benefits of the digital economy—convenience, time and cost savings, and greater choice in service providers with no geographical constraints.

Provision of online shopping services to consumers

Australian businesses are using the internet as a key strategy in their engagement with existing and potential customers, with 59 per cent of SMEs in Australia estimated to take orders online from customers at April 2011.¹ Provision of online shopping services by businesses to consumers is predominantly centred on web-based services either through a business's own website or group buying sites such as Catch of the Day, Cudo, Daily Deals, which aggregate demand in exchange for price discounts. Businesses are increasing efforts to leverage social media channels, largely for product and company profiling (advertising) purposes, with 18 per cent of SMEs connected to the internet using online social networking channels for business purposes at April 2011 up from 10 per cent 12 months earlier.

The majority of internet users are online shoppers

In the six months to April 2011, approximately 62 per cent of adult internet users purchased a good or service online. During this period, the degree to which consumers engaged in online shopping varied with a number of factors including age, income and location:

- > Internet users aged 35–44 years were most likely to have purchased a good or service online, compared with people in other age groups (73 per cent of internet users in this aged group purchased a good or service online).
- > The higher the income, the more likely a consumer was to have purchased online, with 86 per cent of internet users with annual incomes of \$150,000 or more having shopped online in the six months to April 2011. This compared to 46 per cent for internet users with incomes of less than \$50,000 per annum.
- > Internet users in remote locations of Australia (70 per cent) have a higher incidence of online purchasing than people in major cities (63 per cent) and inner regional and outer regional areas (58 per cent and 56 per cent respectively).

Convenience and price

Factors related to convenience (67 per cent of people purchasing online) and price (47 per cent of people purchasing online) were the main drivers of the adoption of online shopping by Australians in the six months to April 2011.

For those not purchasing online, the main reported barriers were lack of trust in the internet (19 per cent), no need (18 per cent) or having a preference for shopping in store (18 per cent).

Payment methods and m-commerce

The majority of online shoppers paid for their purchases online either via credit card or money transfer service (e.g. PayPal). Ninety-one per cent of adults shopping online used either credits cards or direct money transfer services to pay for their purchases. Online shopping was also predominantly conducted via computers (97 per cent of online purchasers), with mobile phone internet e-commerce largely confined to banking and bill payment.

Frequency of purchasing online

There were some variations in the frequency of purchasing online in the six months to April 2011 compared to the six months to November 2009. In terms of the number of times people purchased online in the six months to April 2011:

- > 52 per cent of people purchasing online were 'light' shoppers, having purchased online 1–5 times (49 per cent in the six months to November 2009)
- > 25 per cent were 'medium' shoppers, having shopped online 6–10 times (20 per cent previously)
- > 23 per cent were 'heavy' shoppers, having shopped online 11 times or more (31 per cent previously).

However, Australians are buying more goods and services online, as shown by the general increase in the proportion of online shoppers purchasing different goods and services. The top four items purchased online by Australians in the six months to April 2011 were as follows:

- > 60 per cent of online shoppers purchased travel goods, including accommodation and tickets (56 per cent previously in the six months to November 2009)
- > 53 per cent purchased clothing, shoes and personal items (42 per cent previously)
- > 53 per cent purchased event, concert and movie tickets (43 per cent previously)
- > 46 per cent books, magazines and newspapers (36 per cent previously).

There was also some variation in terms of the type of goods and services purchased online by age, income and location of the online purchaser.

Where to shop—Australia or overseas

Australians are still predominately shopping from Australian websites; however, in the 18 months to April 2011 there has been a decline in the proportion of adult online

shoppers mainly purchasing from Australian websites—from 68 per cent in the six months to November 2009 to 53 per cent in the six months to April 2011.

Overseas websites have attracted an increasing proportion of online shoppers in Australia. In the six months to April 2011:

- > 19 per cent of online shoppers mostly purchased from overseas sites, up from 12 per cent in the six months to November 2009
- > 29 per cent of online shoppers purchased equally from Australian and overseas sites, up from 19 per cent in the six months to November 2009.

The increase in patronage of overseas sites is likely in large part to be a consequence of growth in the purchasing power of the Australian dollar over that period. This is reflected in the fact that 59 per cent of online shoppers mostly using overseas sites in the six months to April 2011 reported that they favour these sites because 'it's cheaper', compared to 41 per cent in November 2009.

Those online shoppers mostly purchasing from Australian sites did so to support local industry or had no need to use an overseas site (30 per cent), while 21 per cent did not trust overseas sites. A further 18 per cent of these online shoppers reported the items were only available in Australia and 16 per cent reported it was easier to use Australian sites if problems arose. These figures were generally consistent with findings in November 2009.

Table 1 Key online shopping statistics

Indicator		
	April 2010 (%)	April 2011 (%)
SMEs taking orders for goods and service online	58%	59%
SMEs using social media for business purposes	10%	18%
	Six months to November 2009 (%)	Six months to April 2011 (%)
Internet users purchasing goods or services online	61%	62%
Payment channels used to purchase online*		
Credit card only	n/a	25%
Money transfer services only (e.g. PayPal)	n/a	12%
Both credit card and money transfer services	n/a	54%
Neither	n/a	9%
Access devices used to purchase online†		
Computer	97%	97%
Mobile	2%	4%
Other	2%	2%
Number of times purchased online		
1–5 times	49%	52%
6 times or more	51%	48%
Top three items purchased online		
Travel goods	56%	60%
Clothing, shoes and personal items	42%	53%
Event, concert and movie tickets	43%	53%
Location of online purchase		
Mostly Australian websites	68%	53%
Mostly overseas websites	12%	19%
Australian and overseas websites equally	19%	29%

Note: Summary statistics relating to internet users purchasing online relate to people aged 18 years and over.

n/a: not available.

**Relates to online purchases occurring in the month of June 2011.*

Introduction

This report is the first in a series of three research reports to be published as part of the ACMA's Communications report 2010–11 series. Other reports in this series will be:

- > *Report 2—Converging communications channels: Preferences and behaviours of Australian communications consumers*
- > *Report 3—The emerging mobile telecommunications service market in Australia.*

This suite of reports is designed to complement, but are not a part of, the ACMA *Communications report 2010–11*, which is produced to fulfil reporting obligations under section 105 of the *Telecommunications Act 1997*.

The three reports in the Communications report series seek to better inform ACMA stakeholders about convergence and the digital economy, and their impacts on communications and media services and consumer behaviour. As an evidence-based regulator, the ACMA has an interest in monitoring and understanding the developing digital economy and the role digital communications and media are playing in its development.

E-commerce is one of many manifestations of the digital economy. According to the Organisation for Economic Co-operation and Development (OECD), an e-commerce transaction is defined as the sale or purchase of goods or services, whether between businesses, households, individuals or governments, conducted over the internet. The goods and services are ordered over the internet, but the payment and the ultimate delivery of the good or service may be conducted on- or off-line.²

This report is the ACMA's second examination of online purchasing behaviours by Australian internet users. It builds on previous ACMA research, *Australia in the digital economy—Consumer engagement in e-commerce*, released in November 2010. This latest report provides an update of key consumer data relating to participation in online shopping in Australia. It also examines the adoption of mobile e-commerce (m-commerce), types of payment services used to pay for online purchases and provides an overview of the provision of online shopping services to consumers by Australian businesses.

The Australian online shopping market

Market overview

Australians are embracing the internet, with nearly nine in 10 adults (people aged 18 years and over) in fixed-line telephone households personally using the internet either at home or away from home at April 2011. Eighty-seven per cent of fixed-line telephone households in Australia also had an internet connection, with the majority of these households having a broadband connection (98 per cent).³ The number of households with an internet connection increased from 82 per cent at November 2009.

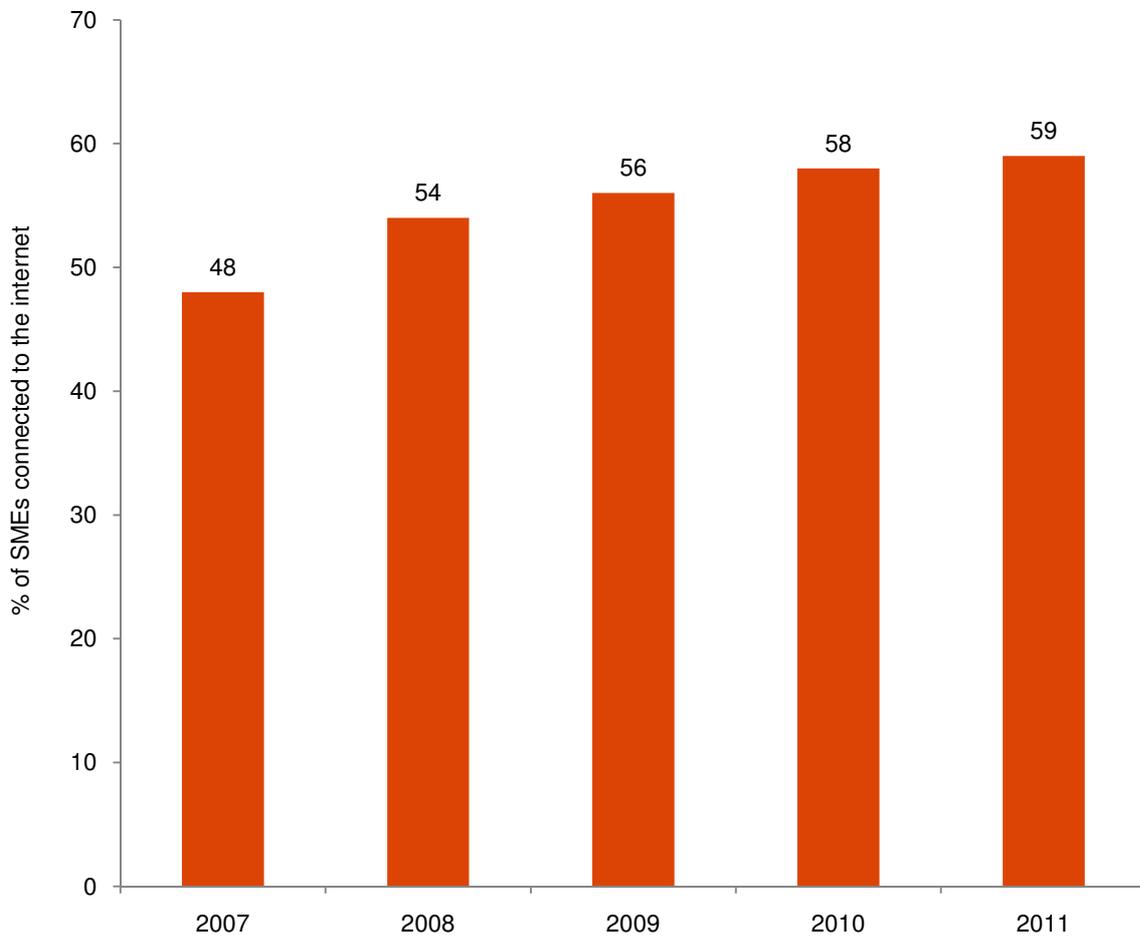
In addition to increased levels of online connectivity, Australians are using the internet more frequently—59 per cent of adults go online several times a day (up from 53 per cent in November 2010).⁴

Increasing online participation is paralleled by greater knowledge of the internet and the associated benefits of going online. At the same time, more organisations have integrated the internet into their operational plans either by providing retail customer-oriented services online or by developing electronic supply chains with key suppliers and major customers. These developments have a number of specific and well-documented benefits for businesses including:

- > avoiding high rental costs (or reducing rental costs) for business premises
- > comparatively low barriers to entry in terms of business establishment costs
- > low barriers to geographic expansion across Australia and overseas
- > reducing the amount of advertising needed to sell products
- > removing the need for intermediaries and associated costs by interacting directly with customers.⁵

Latest data available from the Australian Bureau of Statistics (ABS) reflects the increasing importance of the internet to business revenues. The ABS reports that Australian business received an estimated \$143 billion in internet orders during the 2009–10 financial year, an increase of 15 per cent on 2008–09.⁶ This included business-to-business (B2B) and business-to-consumer (B2C) online sales. In addition, the recent Sensis report *The Online Experience of Small and Medium Enterprises* shows that an estimated 59 per cent of small and medium enterprises (SMEs)—businesses with 1–200 employees—in Australia received orders for goods and services online at April 2011, compared to 58 per cent at April 2010 (Figure 1). Industry sectors most prominent in taking orders online include wholesale trade (76 per cent of SMEs in that sector taking orders online) and manufacturing (72 per cent) (Figure 2). These sectors are more likely to be involved in B2B e-commerce, providing services to other industries. According to the Sensis report, at April 2011, approximately 59 per cent of SMEs in the retail trade industry, where the majority of B2C activity occurs, took online orders for goods and services.

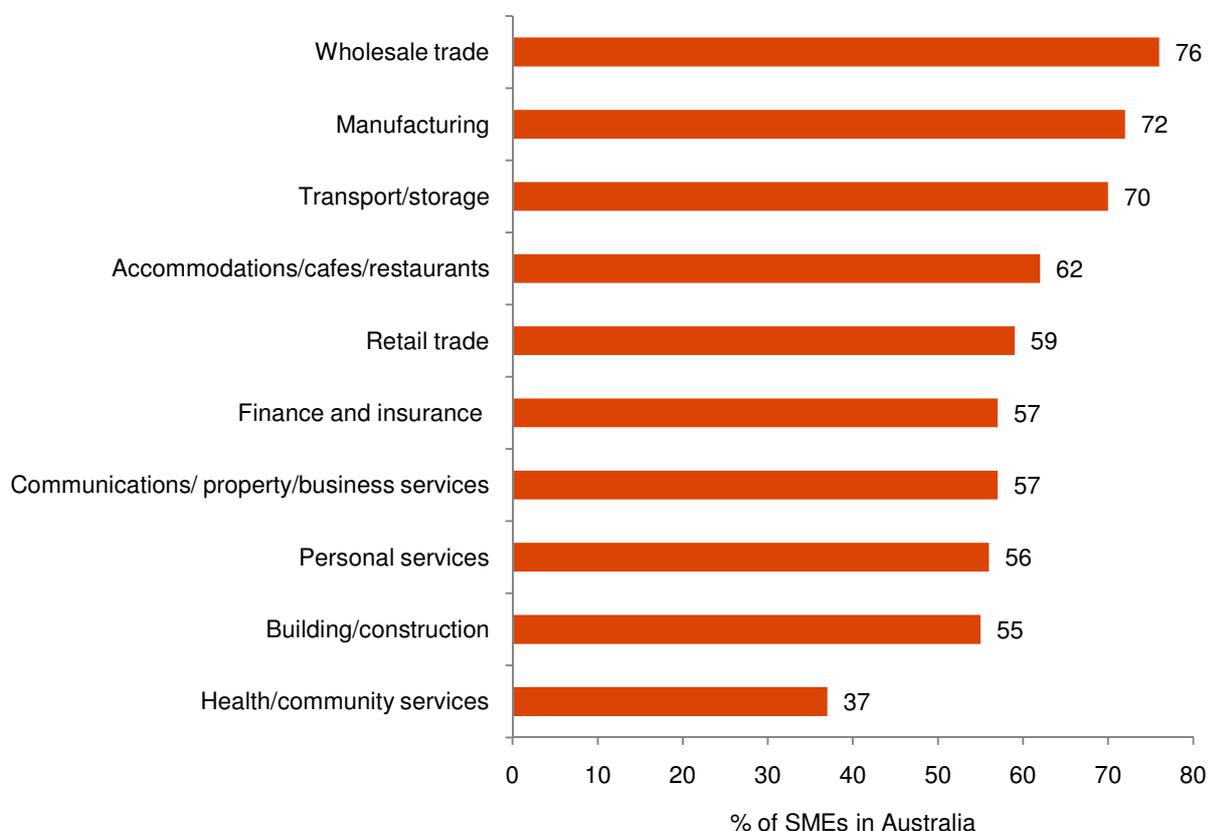
Figure 1 Australian SMEs taking orders for goods and services online



Note: Survey conducted in April 2011. Small business includes businesses with 1–19 employees. Medium business includes businesses with 20–200 employees. SMEs include businesses employing 1–200 employees.

Source: Sensis, The Online Experience of Small and Medium Enterprises 2011, October 2011.

Figure 2 Australian SMEs taking orders for goods and services online, by industry sector, April 2011



Note: Survey conducted in April 2011.

Source: Sensis, The Online Experience of Small and Medium Enterprises 2011, October 2011.

While traditional large scale retailers have been slow to move into the online shopping market, the growth in number of Australians purchasing online has led a number of major players to respond to this challenge in recent years by developing online retail channels as a complement to traditional shop front services. For example JB Hi-Fi reported online sales grew by nearly 52 per cent over 2010–11.⁷

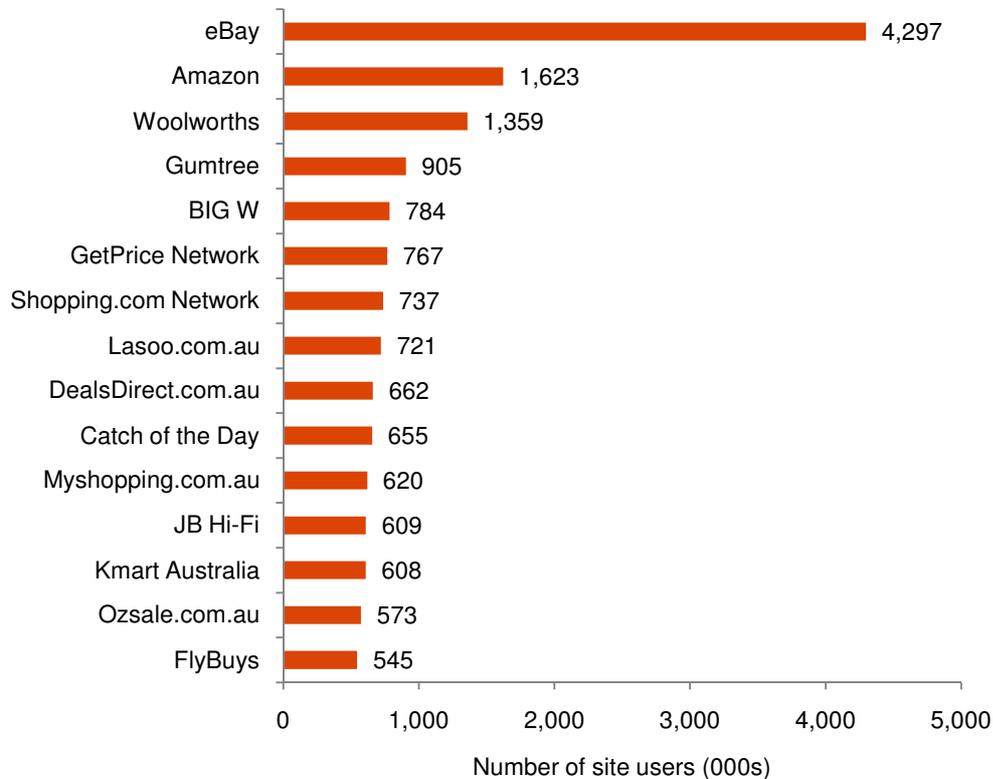
Online shopping channels

With the growth and acceptance of e-commerce, industry has become innovative in the online selling space. There are several ways a business can sell goods online including through its own website, specialised sites providing aggregation and auction services, and through emerging channels such as social media.

Top 15 online shopping websites

Figure 3 provides an overview of the top online retail sites in Australia during June 2011 in terms of the numbers of people accessing these sites. These sites collectively reached more than 7.5 million Australian consumers. The online auction site eBay attracted the largest audience, reaching 4.3 million people during June 2011 compared to 1.6 people visiting Amazon's (reportedly the world's largest online retailer) website and 1.4 million Australian visiting the website of Woolworths. The remainder of the top 15 online sellers share the market fairly evenly.

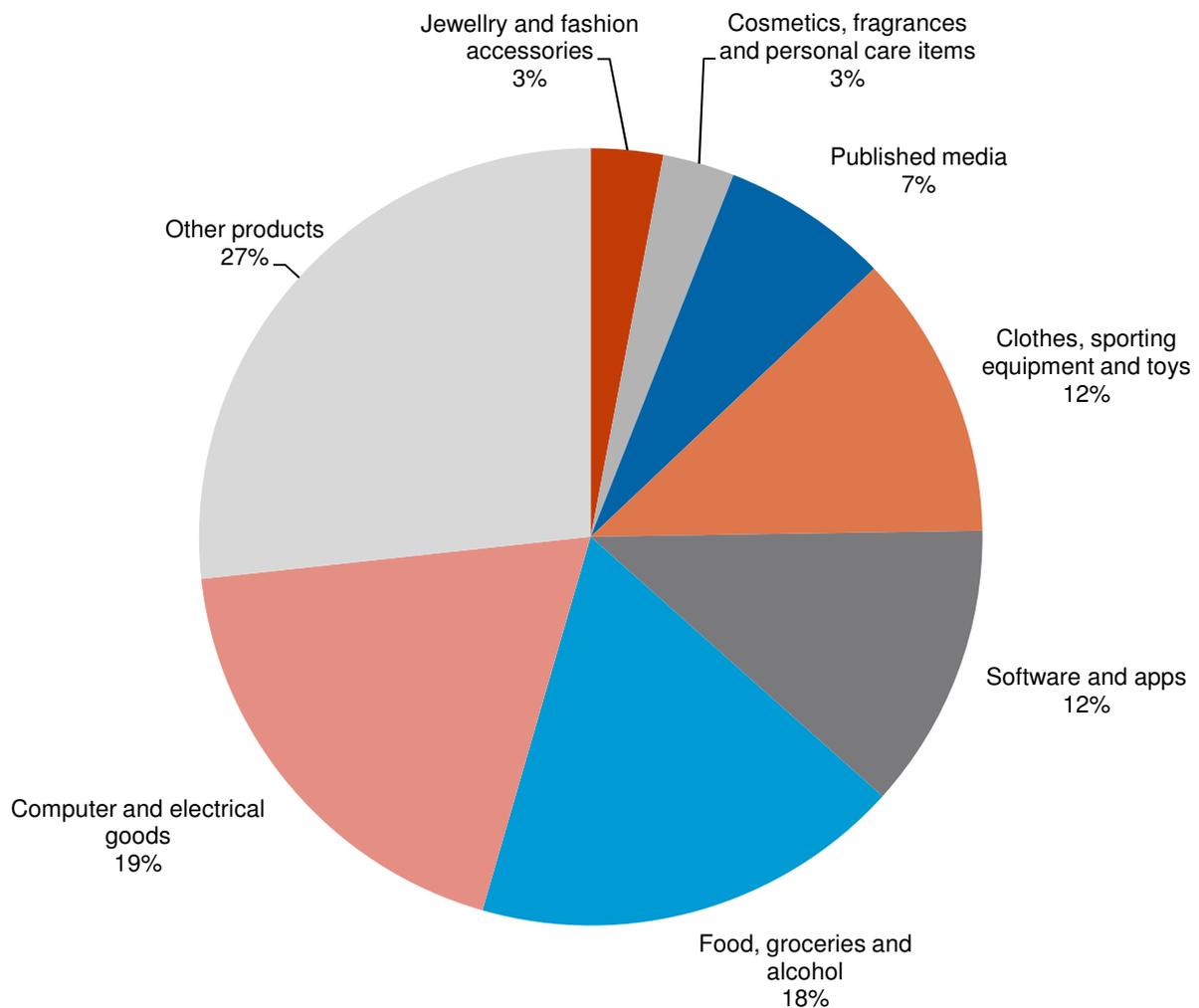
Figure 3 Top 15 online shopping sites accessed by Australians from home during June 2011



Note: Total number of consumers accessing the top 15 retail online shopping sites from home was 7,557,000 during June 2011. Sites identified are classified by Nielsen Online as 'Multi-category Commerce'. Relates to home internet users aged 2 years and over. Source: Nielsen Online, June 2011.

The range of goods and service available for consumers to purchase online continues to expand and most items that are available in a traditional shopfront can now be brought over the internet. Figure 4 provides an overview of the product share of online retail sales (B2C) revenue.

Figure 4 Product share of online retail sales in Australia



Note: Other products include furniture, flowers, hardware, plants, build materials, office equipment, stationery, automotive parts, aviations parts, art and home wares.

Source: IBISWorld, Online Shopping in Australia, May 2011.

Group buying

In addition, 'group buying' is becoming an increasingly attractive option for marketers in Australia. This is a retail model whereby websites offer online deals from other parties for a limited time, often one day, on selected products. The websites use the power of bulk buying to negotiate significant discounts with retailers, receiving a commission based on the number of products sold to customers through the website.

While the Australian group buying scene has been dominated by overseas players to date, many Australian companies have now built strong brands and found a niche market. There are varying estimates on the value of group buying in Australia but one estimate puts the value of the online group buying and daily discount sector at \$377 million in 2010–11, making it the fastest growing retail platform in Australia. The three major types of deals available on these sites to Australian consumers cover voucher discounts, clearance goods and travel.⁸ There are approximately 51 group buying sites operating in Australia, with the top sites, in terms of industry revenue, including Scoopon, Cudo, Living Social, Spreets, Groupon, OurDeal, Deals.com.au and Ouffer.⁹

However, the issue of whether Australian consumers are getting value for money from group buying services is a growing concern, with the number of complaints about group buying sites increasing in Australia. For example, the Consumer Affairs Victoria reports that it has received growing numbers of enquiries and complaints about group buying sites in relation to a number of issues including the non-supply and incomplete supply of goods and services, difficulty in booking services and redeeming vouchers.¹⁰

Social media

Of the three online shopping channels identified—business websites, emerging channels such as social media, and specialised sites providing aggregation and auction services—social media is yet to develop as a mainstream business tool. This is despite the extensive use of online social networks sites by the general Australian population. During June 2011, approximately 8.6 million Australians visited social networking sites such as Facebook from home, compared to eight million during June 2010.¹¹ In comparison, at April 2011 approximately 18 per cent of SMEs in Australia which are connected to the internet used some form of social media in their business operations, compared to 10 per cent at April 2010. Typical social media channels used by Australian businesses utilising social media included having a Facebook page and use of Twitter (89 per cent and 33 per cent of these SMEs respectively).¹²

The influence of social media on consumer purchasing decisions

Social media services such as networking sites don't generally provide direct-transaction services. Instead, they seek to advertise services directly or through 'word of mouth' among the social networking community. The influence social media channels have in shaping consumer purchasing decisions is small currently—approximately 169,000 Australians aged 14 years (one per cent of the online population during this period) were estimated to have purchased a good or service as a result of advice from a social networking site during June 2011.¹³ However, 51 per cent of SMEs using social media for business purposes reported a positive effect from social media, including increased networking opportunities, good advertising for the business and good customer feedback.¹⁴

Australian consumers' take-up of online shopping

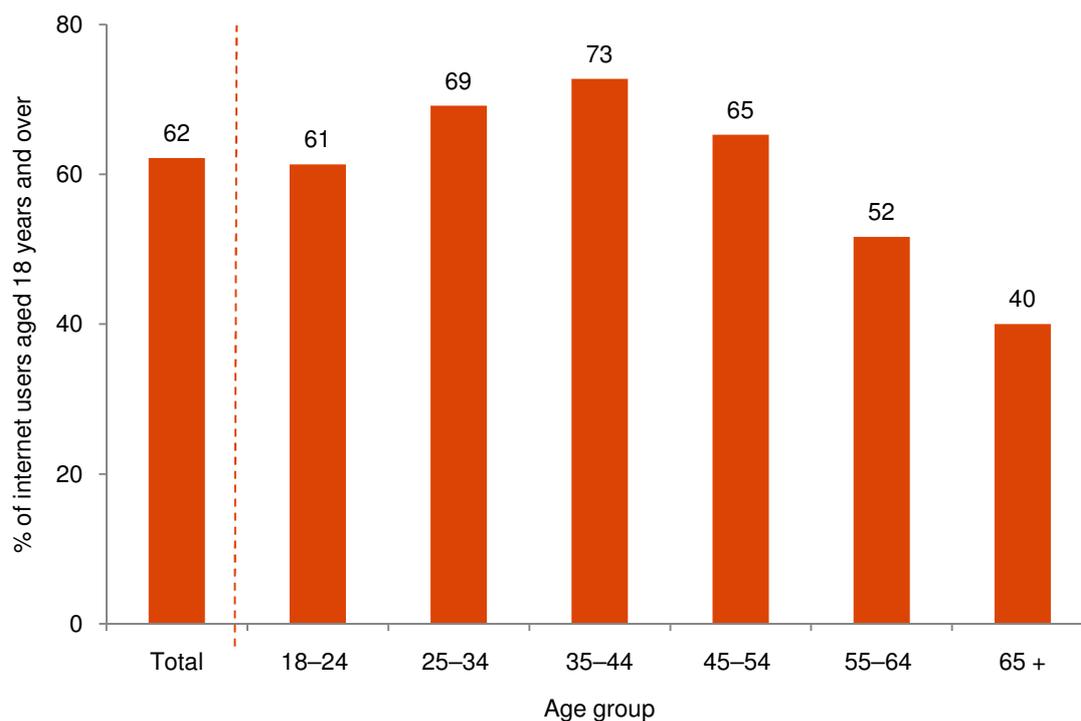
Profile of Australians shopping online

In the six months to April 2011, approximately 62 per cent of adult internet users purchased a good or service online (Figure 5). A number of demographic factors influence whether a consumer purchases online.

Age

People aged 35–44 years were the most prominent age group to adopt online shopping, with 73 per cent having made a purchase online in the six months to April 2011. The incidence of shopping online decreased significantly in people aged over 44, falling to 40 per cent of internet users aged 65 years and over in the six months to April 2011.

Figure 5 Purchase of goods and services online in the six months to April 2011, by age



Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.

Source: ACMA-commissioned survey, April 2011, n=1,428.

Income

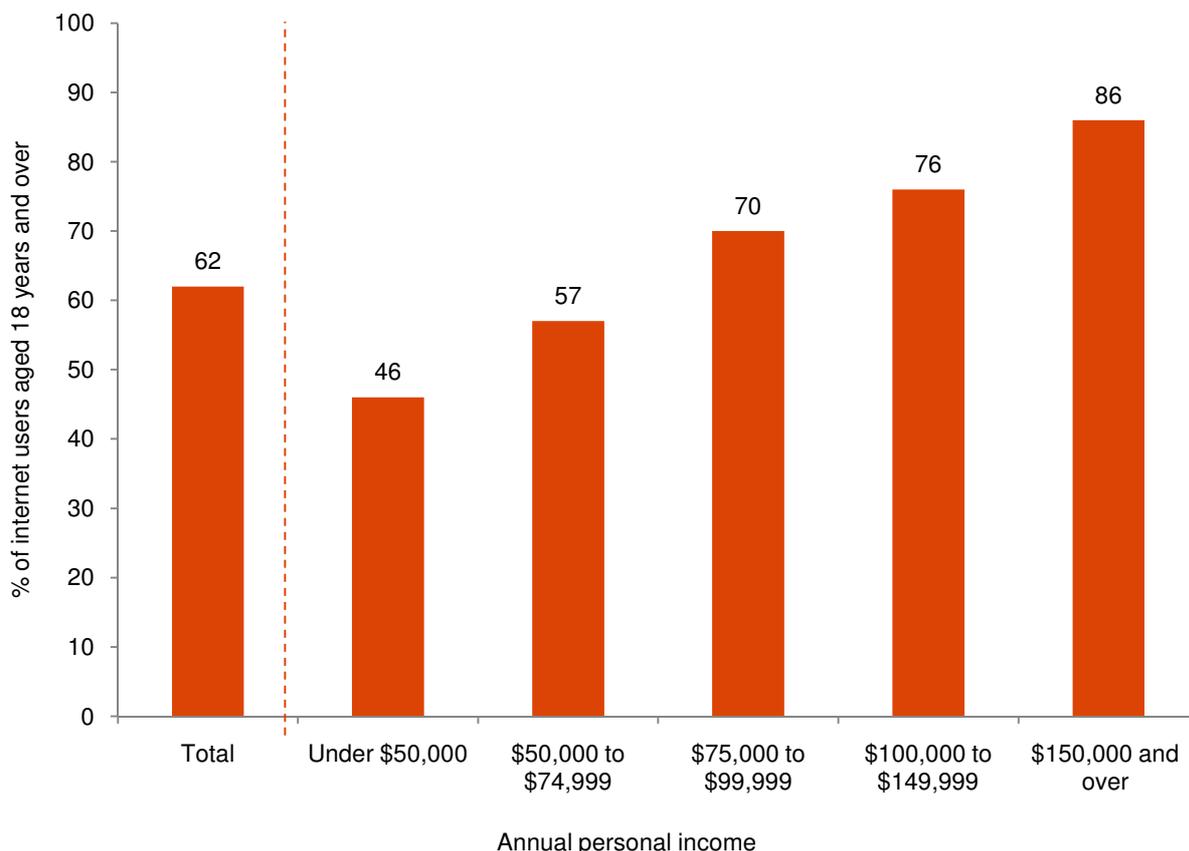
Income level is also strongly correlated to online purchasing, with 86 per cent of those earning over \$150,000 per annum having made a purchase in the six months to April 2011, compared to 46 per cent of those earning under \$50,000 a year (Figure 6).

Other factors

Online purchasing was also influenced by other factors such as level of education and employment status. The higher the level of education achieved, the higher the incidence of online shopping—75 per cent of those with postgraduate qualifications shopped online compared to 43 per cent of those with primary or some secondary

schooling as their highest level of education. Internet users who are students (68 per cent) and those working either full-time (68 per cent) or part-time (65 per cent) were also more likely to make online purchases compared to those who were retired (44 per cent), unemployed (44 per cent) or engaged in home duties (58 per cent).

Figure 6 Purchase of goods and services online in the six months to April 2011, by income



*Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.
Source: ACMA-commissioned survey, April 2011, n=1,428.*

Location

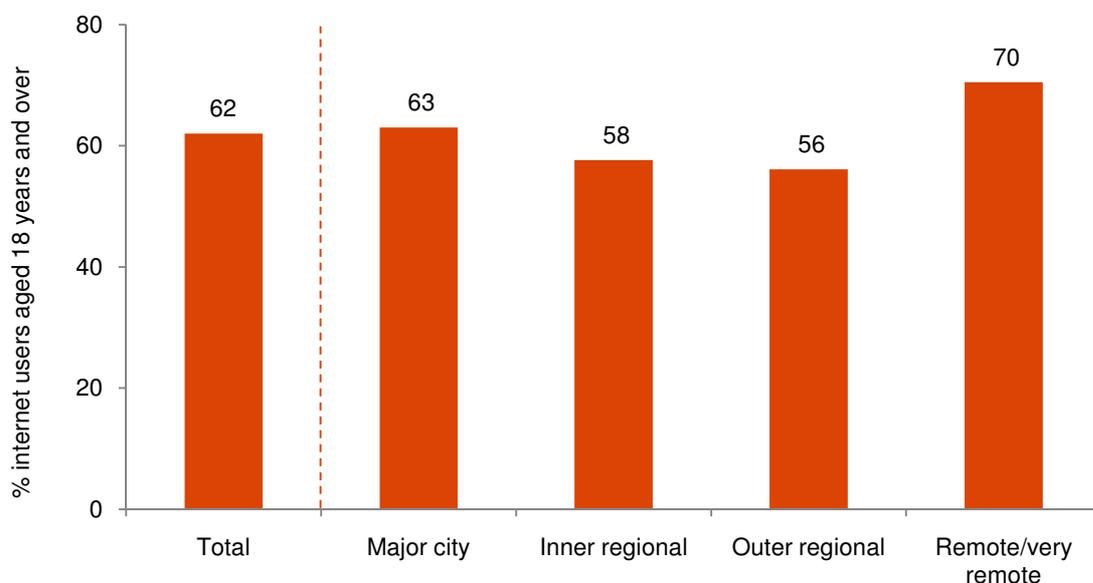
Over the past four years, the take-up of internet services has increased most significantly in non-metropolitan areas:

- > Since ACMA research undertaken in April 2007, the take-up of internet has risen from 80 to 87 per cent of metropolitan households, and from 71 to 83 per cent of non-metropolitan households at April 2011.
- > The increase in availability of broadband services and declining costs of internet access has also had a huge effect on the type of internet services Australians use in their home.¹⁵
- > In April 2007, 84 per cent of internet homes in metropolitan areas had a broadband connection, compared to 72 per cent of homes in non-metropolitan areas. By April 2011, 98 per cent of internet homes in metropolitan areas had a broadband connection, compared to 96 per cent of homes in non-metropolitan areas.

Recent research has also shown that those living in more remote areas are heavy users of the internet and are actively participating in the digital economy, with 81 per cent of Australians living in major cities, the same percentage of those living in remote and very remote areas, using the internet at least once a day—compared to 74 per cent of those living in inner and outer regional areas.¹⁶ This high use of digital media in

remote and very remote areas might be due to the vast distances between shops, other services such as education, and family and friends. This is further reflected in Figure 7, which shows that internet users in remote and very remote areas were more likely to purchase online than other internet users in Australia.

Figure 7 Purchase of goods and services online in the last six months to April 2011, by location



Note: Excludes don't know responses. Relates to consumers in households with a fixed-line telephone.

Major city refers to the capital cities excluding Darwin and Hobart, and includes centres such as Newcastle. Inner regional refers to centres such as Launceston, Hobart, Mandurah, Ballarat, etc. Outer regional refers to centres such as Darwin, Albany, Geraldton, etc. For more information see www.doctorconnect.gov.au/internet/otd/Publishing.nsf/Content/locator.

Source: ACMA-commissioned survey, April 2011, n=1,770.

Other socioeconomic factors

Gender does not have a great influence on the likelihood of a consumer purchasing online, with 51 per cent of male and 49 per cent of female internet users having purchased a good or service online in the six months to April 2011. Household structures do influence online purchases, with those living alone (50 per cent) or with a partner and no children (58 per cent) less likely to make online purchases than those living in shared households (71 per cent). The presence of children in a household also seemingly influences purchasing online with 67 per cent of internet users with a partner and children and 64 per cent of internet users who were single parents purchasing online in the six months to April 2011.

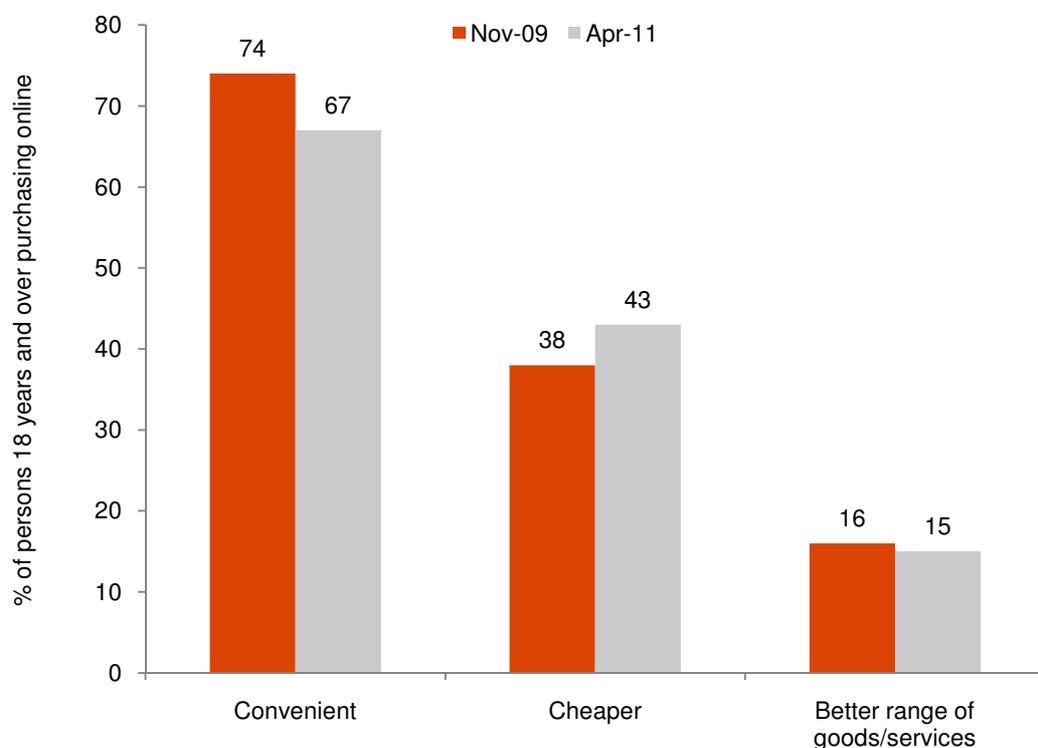
Drivers of online shopping

The most common reasons cited what Australians are purchasing goods and services online are 'convenience' (67 per cent of online shoppers) and 'it's cheaper' (47 per cent). Other reasons mentioned included:

- > access to a 'better range of goods and services'
- > 'goods only available online'
- > 'delivered to my door'
- > 'can compare prices online'.

These factors are consistent with drivers identified in the November 2009 consumer e-commerce survey (Figure 8). The shift in the top two drivers (the decline in online shoppers reporting convenience and the increase in online shoppers reporting 'it's cheaper') is a further reflection of the relative strength of the Australia dollar.

Figure 8 Reasons for purchasing online



Note: Multiple responses allowed. Relates to consumers in households with a fixed-line telephone.

Source: ACMA-commissioned surveys, November 2009, n=916 and April 2011, n=885.

The reasons for purchasing goods and services online differed by demographics:

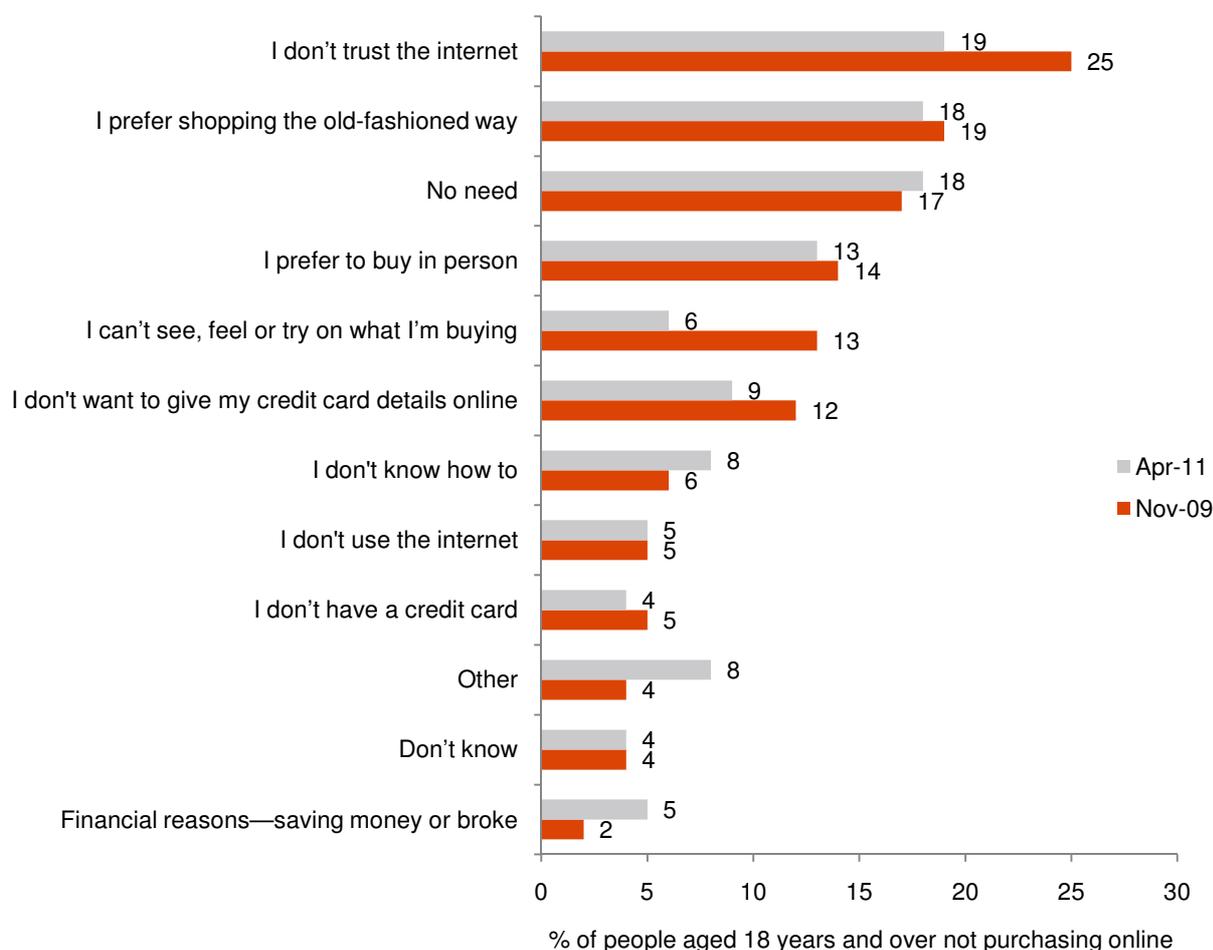
- > Females (71 per cent) are more likely than males (63 per cent) to buy online for convenience. Males (43 per cent) are more likely than females (38 per cent) to shop online because it is cheaper.
- > Age is also a factor in reasons for purchasing online:
 - > those aged 35–54 are more likely to indicate convenience (70 per cent compared to the average of 67 per cent)
 - > those aged 25–34 are more likely to indicate price (50 per cent compared to 43 per cent)

- > those aged 18–24 are more likely to indicate access to a better range of services (26 per cent compared to 15 per cent).
- > Income also had an effect, with those earning more than \$100,000 (73 per cent) more likely to cite convenience than those earning under \$50,000 a year (61 per cent).
- > The location of purchasers was another factor—notably, the further the purchaser was from a major city, the more likely he or she was to select ‘access to a better range’ and ‘goods not available in shops’. Conversely, the closer the purchaser was to a major city, the more likely he or she was to select ‘it’s convenient’.

Barriers to online shopping

The ACMA-commissioned surveys also examined why many Australians did not purchase online. Factors associated with lack of trust in the internet, no need or having a preference for shopping in person were the most frequently cited reasons for not shopping online by Australians (Figure 9). This was generally consistent with findings from the November 2009 online shopping survey, although the proportion of people reporting lack of trust in the internet declined from 25 per cent of non-internet shoppers in November 2009 to 19 per cent in April 2011.

Figure 9 Reasons for not purchasing goods or services online



Note: Multiple resources allowed. Relates to consumers in households with a fixed-line telephone.

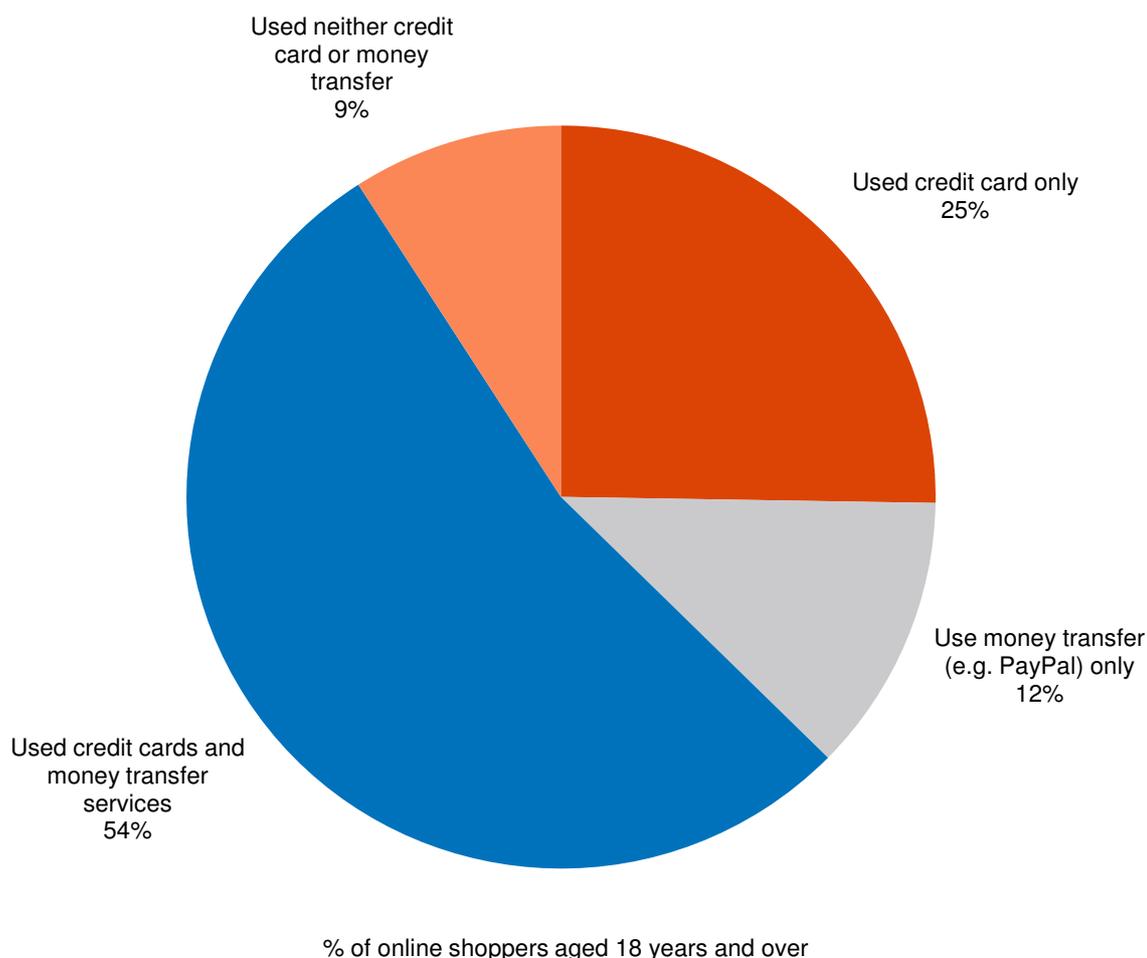
Source: ACMA-commissioned survey, November 2009, n=422 and April 2011, n=539.

Some barriers are unique to the specific online shopping channel. For instance, the adoption of online shopping via mobile phones is still yet to take off in Australia—online mobile commerce (m-commerce) is largely confined to banking and bill payment. The specific set of barriers to online shopping via mobile is discussed in more detail in the m-commerce section of this report (see pages 18 to 21).

Online payment channels

The majority of online shoppers in Australia pay for their purchases via the internet (Figure 10) rather than in a separate payment process. Approximately 91 per cent of adults who bought a good or service online during June 2011 paid for it using either a credit card or money transfer service such as PayPal. Fifty-four per cent of online shoppers used both payment channels. This could be a consequence of no other payment option being available or confidence in the security of online payment channels.

Figure 10 Type of payment services used to pay for online purchases during June 2011



Source: Roy Morgan Single Source, June 2011.

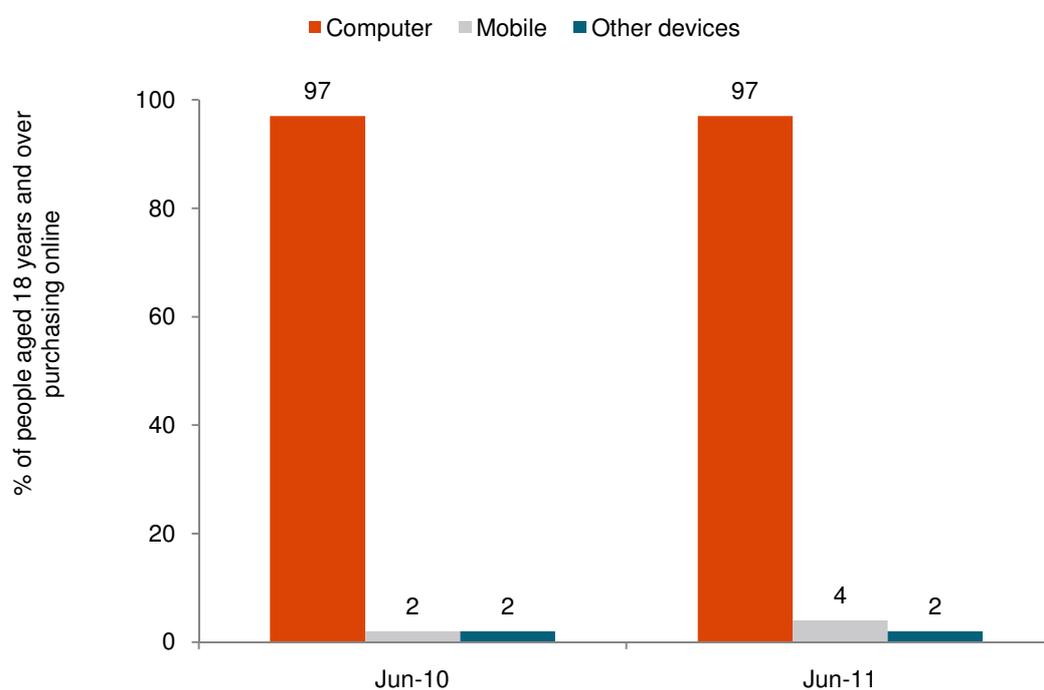
Devices used to shop online

Online shopping in Australia is conducted primarily over computers (Figure 11). Of the 2.4 million adult Australians purchasing a good or service online during June 2011:

- > 97 per cent purchased online via a computer
- > 4 per cent made online purchases via a mobile phone
- > 2 per cent made online purchases via other devices such as tablets.

However, as discussed below, mobile phones are increasingly being used for other e-commerce transactions; specifically, banking and bill payment.

Figure 11 Devices used to purchase goods or services online during June 2011



Note: Multiple responses allowed.

Source: Roy Morgan Single Source, June 2010, June 2011.

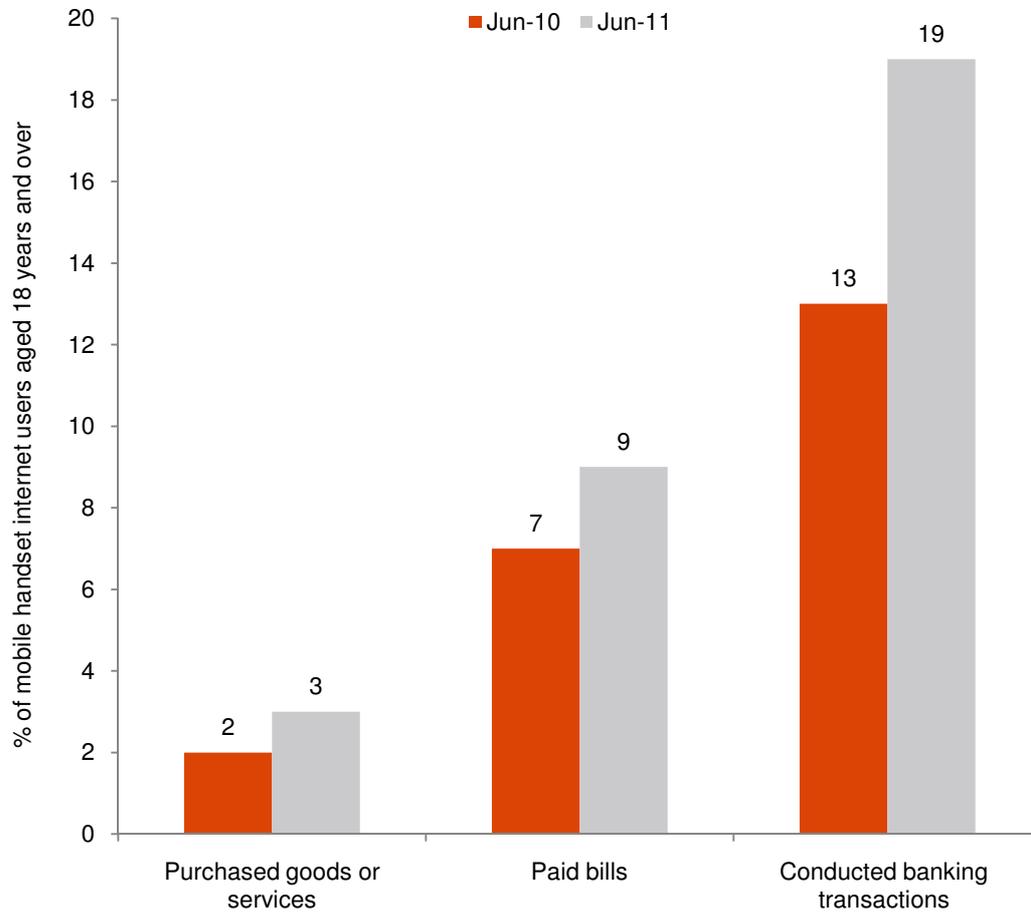
‘M-commerce’—online shopping via mobile phones

Innovation in mobile handset technology, as well as increased mobile network capacity has centred on providing consumers access to the internet. This has facilitated the development and delivery of content services to consumers via mobile phone handsets, including online shopping via mobile phones (known as mobile commerce or m-commerce).

The Australian m-commerce market is currently dominated by banking and bill payment services, with the use of online shopping services much less common. During June 2011, approximately 19 per cent of adult Australians using the internet via their mobile undertook online mobile phone banking transactions (equating to 700,000 users) compared to just three per cent who purchased goods or services online via their mobile handset (100,000 users) (Figure 12).¹⁷

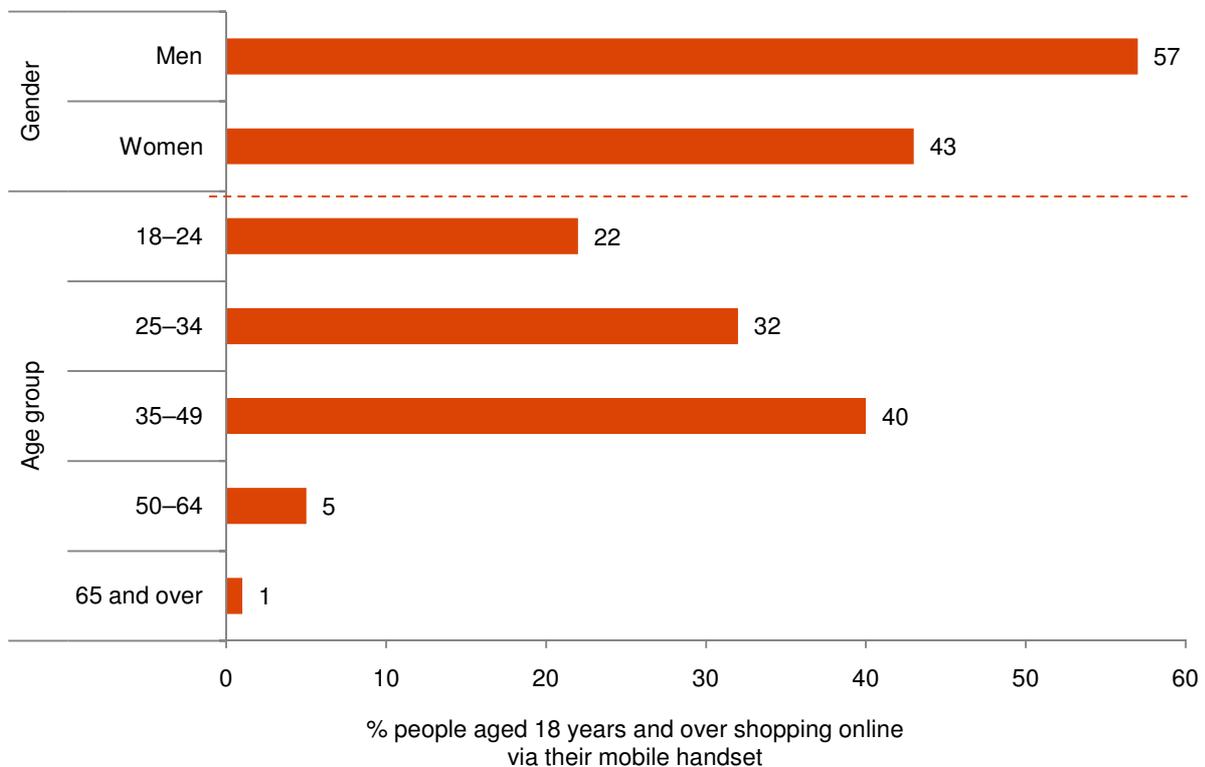
The use of m-commerce services, for online shopping, tends to be more common for males (57 per cent of mobile online shoppers) and people aged 35–49 years, collectively 40 per cent of mobile online shoppers (Figure 13).

Figure 12 Use of select m-commerce services via mobile phone handsets during month of June



Source: Roy Morgan Single Source, June 2010, June 2011.

Figure 13 Profile of users of online shopping services via mobile phone handset during June 2011



Source: Roy Morgan Single Source, June 2011.

Barriers to m-commerce

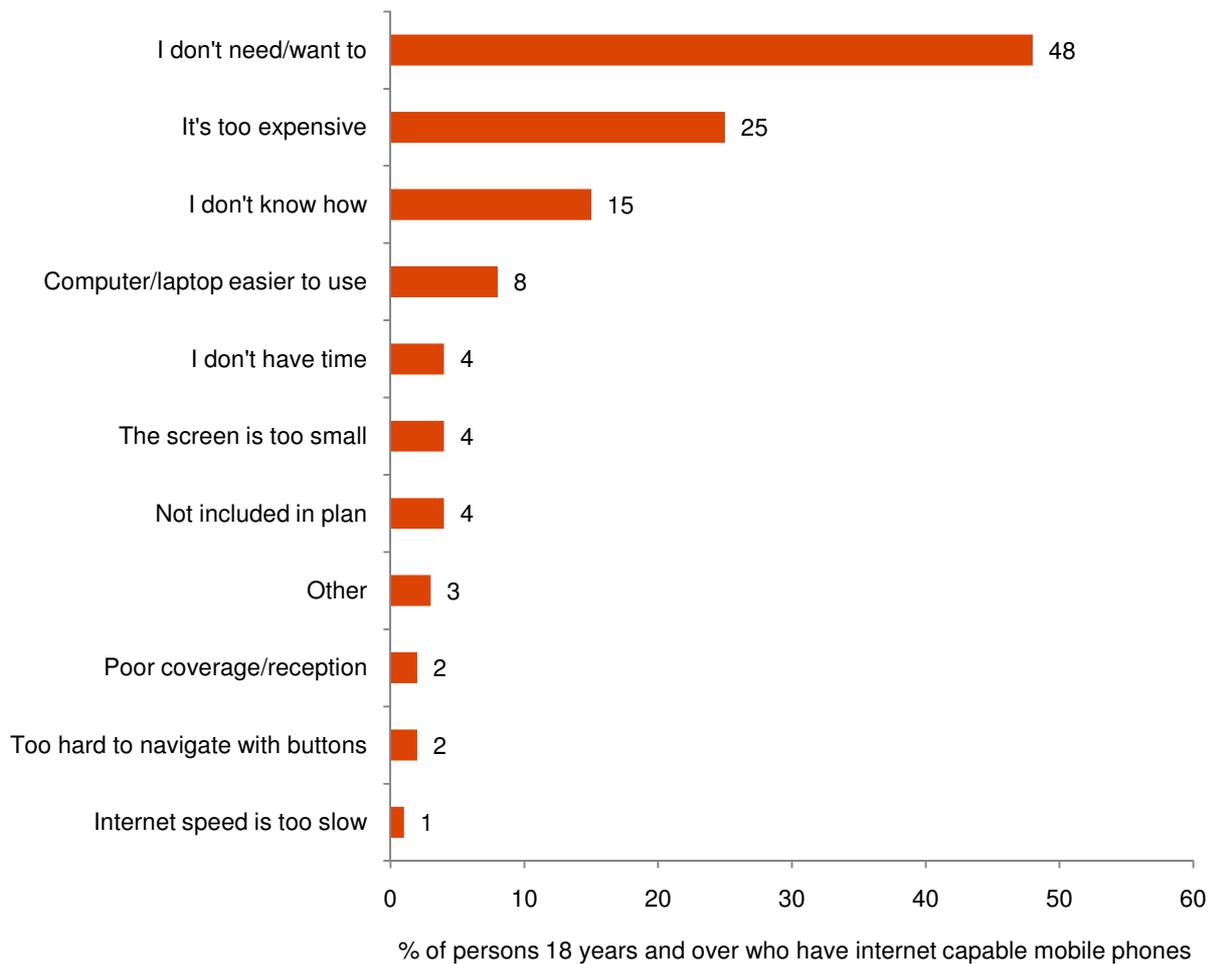
The relatively slow adoption of online shopping services by mobile handset internet users may be attributable to a range of factors including:

- > lack of interest or awareness in online shopping services
- > handset usability issues
- > concerns over the security of online payments
- > the use of mobile handset internet as a complementary service rather than a substitute to traditional computer-based internet access.

These barriers are more broadly reflected as general barriers to using the internet via mobile handsets (Figure 14) and are likely to reinforce low levels of m-commerce adoption and adoption of any other online services. Foremost among these are, no need or desire to use the internet via mobiles (48 per cent of adults with an internet capable mobile phone) and a perception that accessing the internet via mobile handsets is too expensive (25 per cent).

The ACMA study [The internet service market and Australians in the online environment](#) found that the overwhelming majority of mobile handset internet users (96 per cent) used internet access via mobiles as a complement to internet access via a computer. This is reflected in the generally lower levels of online activities undertaken via mobiles compared to online activities conducted via computers. In relation to purchasing online, these internet users were nearly nine times more likely to shop online via their computer than their mobile phone.¹⁸

Figure 14 Reasons for not using the internet via mobile phone handset, April 2011



Note: Multiple responses allowed.

Source: ACMA-commissioned survey, April 2011, n=424.

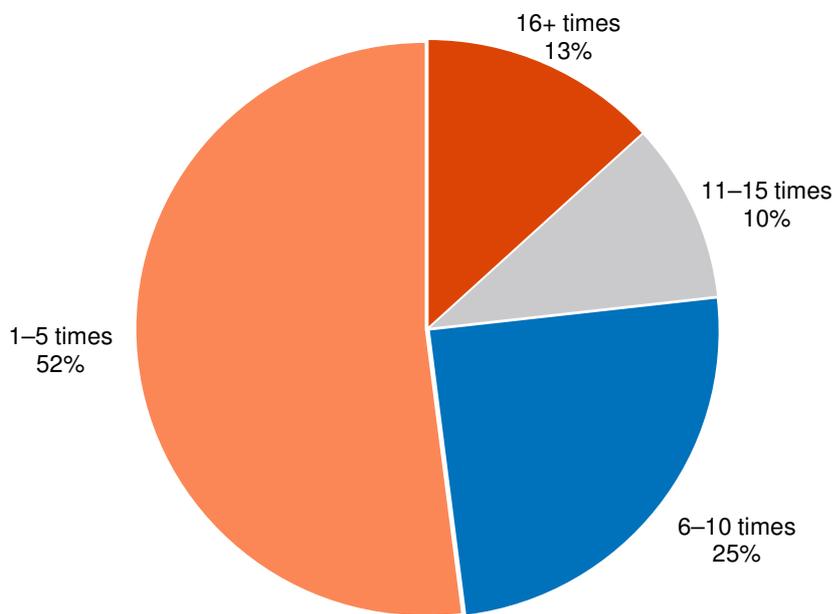
The final report in this complementary series, *Communications report 2010–11 series Report 3—The emerging mobile telecommunications service market in Australia*, will explore in more detail the emerging online mobile services market in Australia.

Frequency of online purchases

During the six months to April 2011, online shoppers went online to make a purchase with the following frequency:

- > 1–5 times—52 per cent
- > 6–10 times—25 per cent
- > 11 times or more—23 per cent.

Figure 15 Frequency of online purchasing in the six months to April 2011



Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.

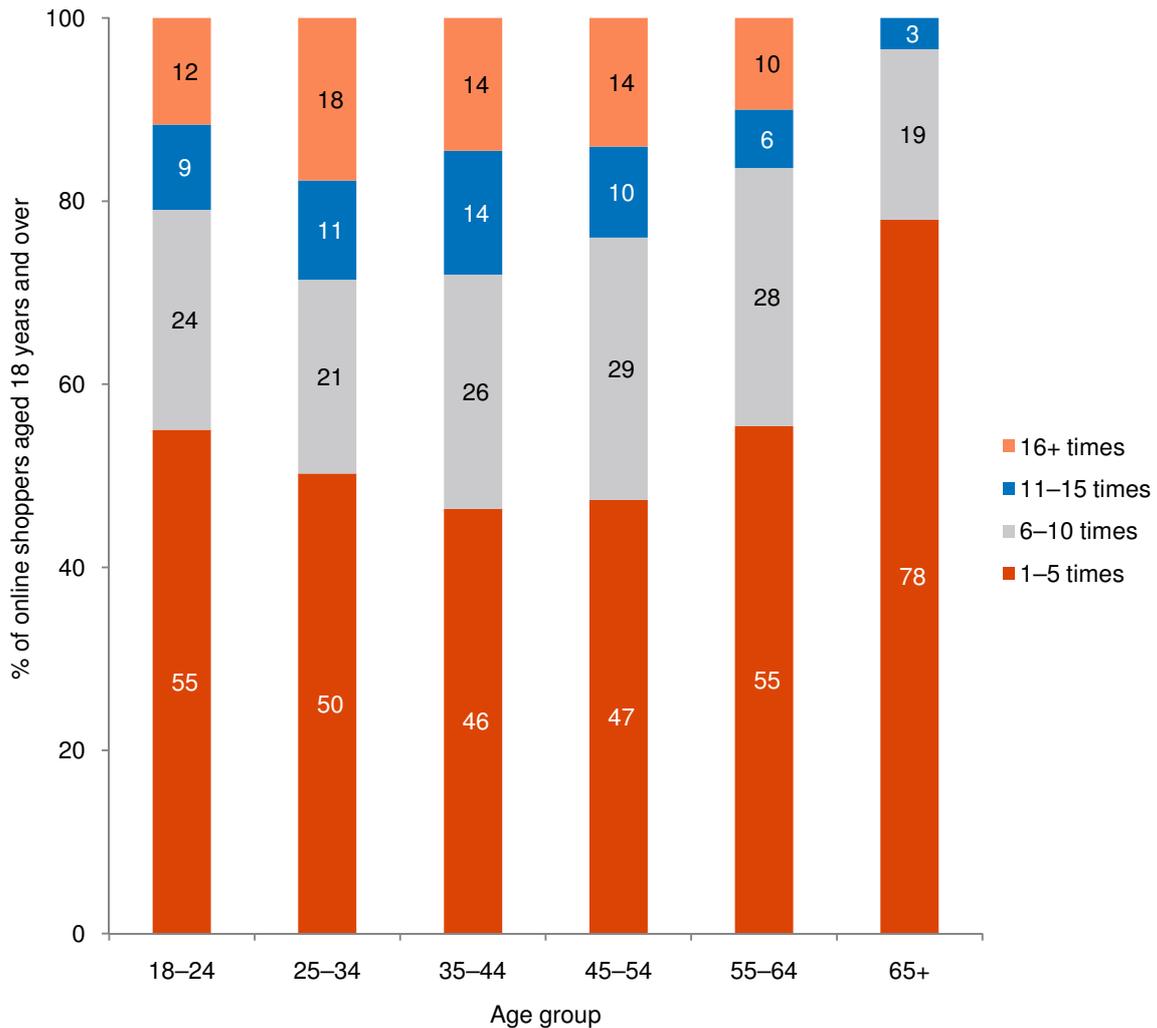
Source: ACMA-commissioned survey, April 2011, n=885.

A number of demographic factors can be related to the number of times Australians went online to make a purchase.

Age

Online shoppers, between 25–44 years, were more likely to make frequent online purchases in the six months to April 2011 (Figure 16), with at least 28 per cent of these online shoppers purchasing online 11 times or more in the six months to April 2011. This group was followed by online shoppers aged 45–54 years, 24 per cent of whom made 11 or more purchases online in the six months to April 2011.

Figure 16 Frequency of online purchasing in the six months to April 2011, by age



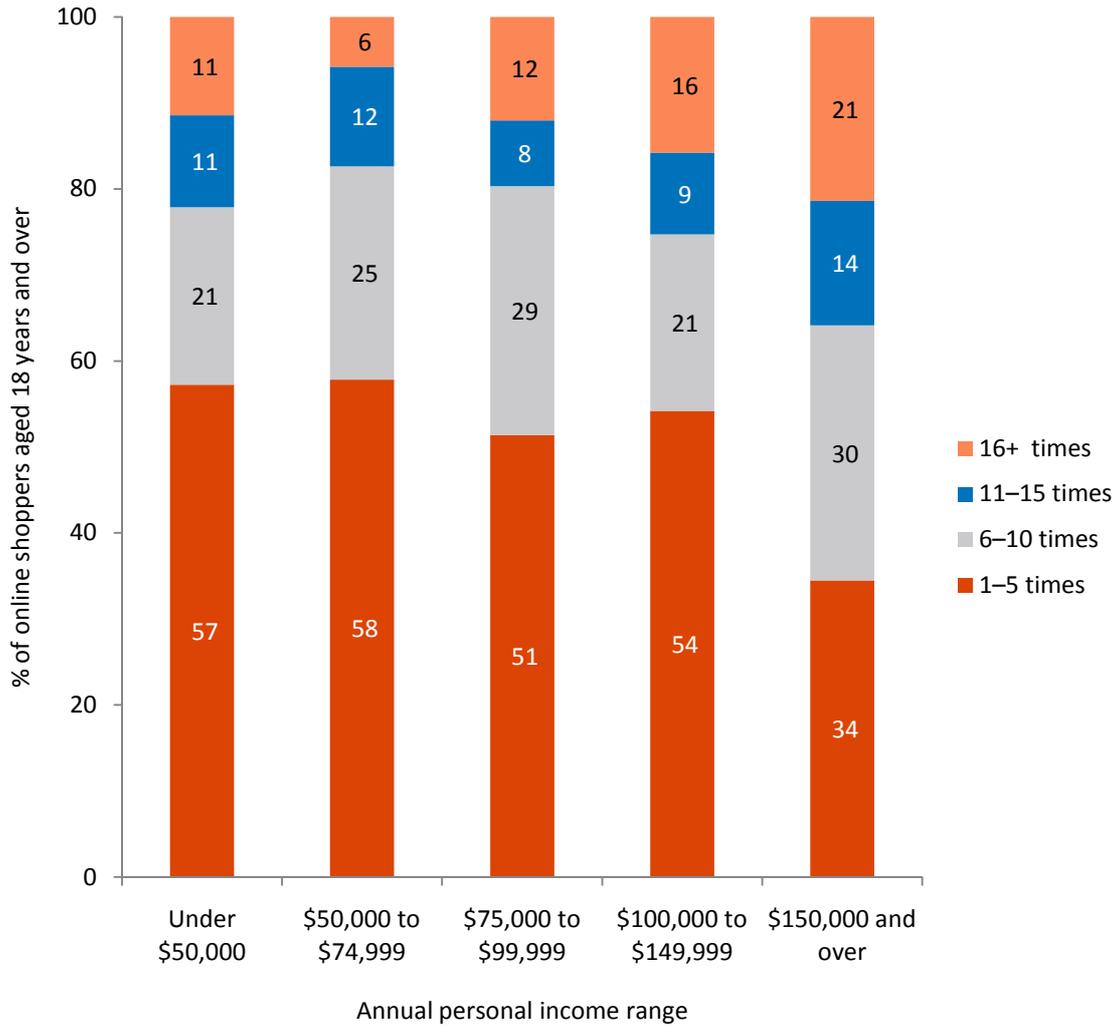
Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.

Source: ACMA-commissioned survey, April 2011, n=885.

Income

The frequency of online purchases generally increased with the level of annual income. In the six months to April 2011, 35 per cent of online shoppers with annual incomes of \$150,000 or more had purchased online 11 times or more, compared to 18 per cent for those with annual incomes of \$50,000–\$74,999 and 22 per cent of online shoppers with annual incomes of under \$50,000 (Figure 17).

Figure 17 Frequency of online purchasing in the six months to April 2011, by personal income

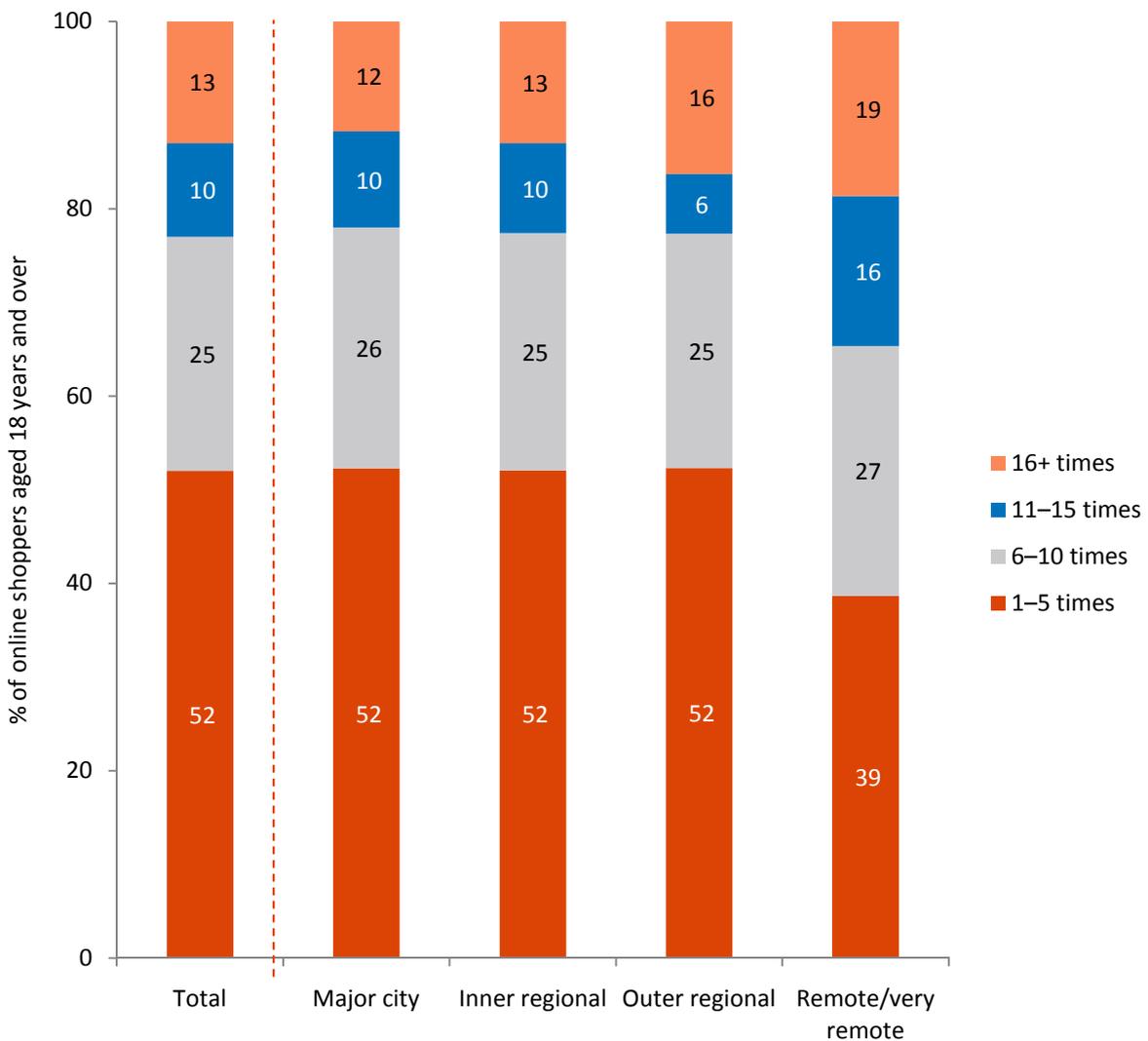


*Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.
Source: ACMA-commissioned survey, April 2011, n=885.*

Location

Consistent with findings relating to factors driving participation in online shopping, persons purchasing online who resided in remote and very remote areas were more likely to make a purchase via the internet more often than other online shoppers. In the six months to April 2011, approximately 39 per cent of this group went online 1–5 times to make a purchase, 27 per cent did so 6–10 times and over a third (35 per cent) purchased 11 times or more during the reporting period (Figure 18). This compared to 52 per cent of online shoppers in major cities purchasing online 1–5 times, 26 per cent purchasing 6–10 times and 22 per cent purchasing 11 times or more in the six months to April 2011.

Figure 18 Frequency of online purchasing in the six months to April 2011, by location



Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.

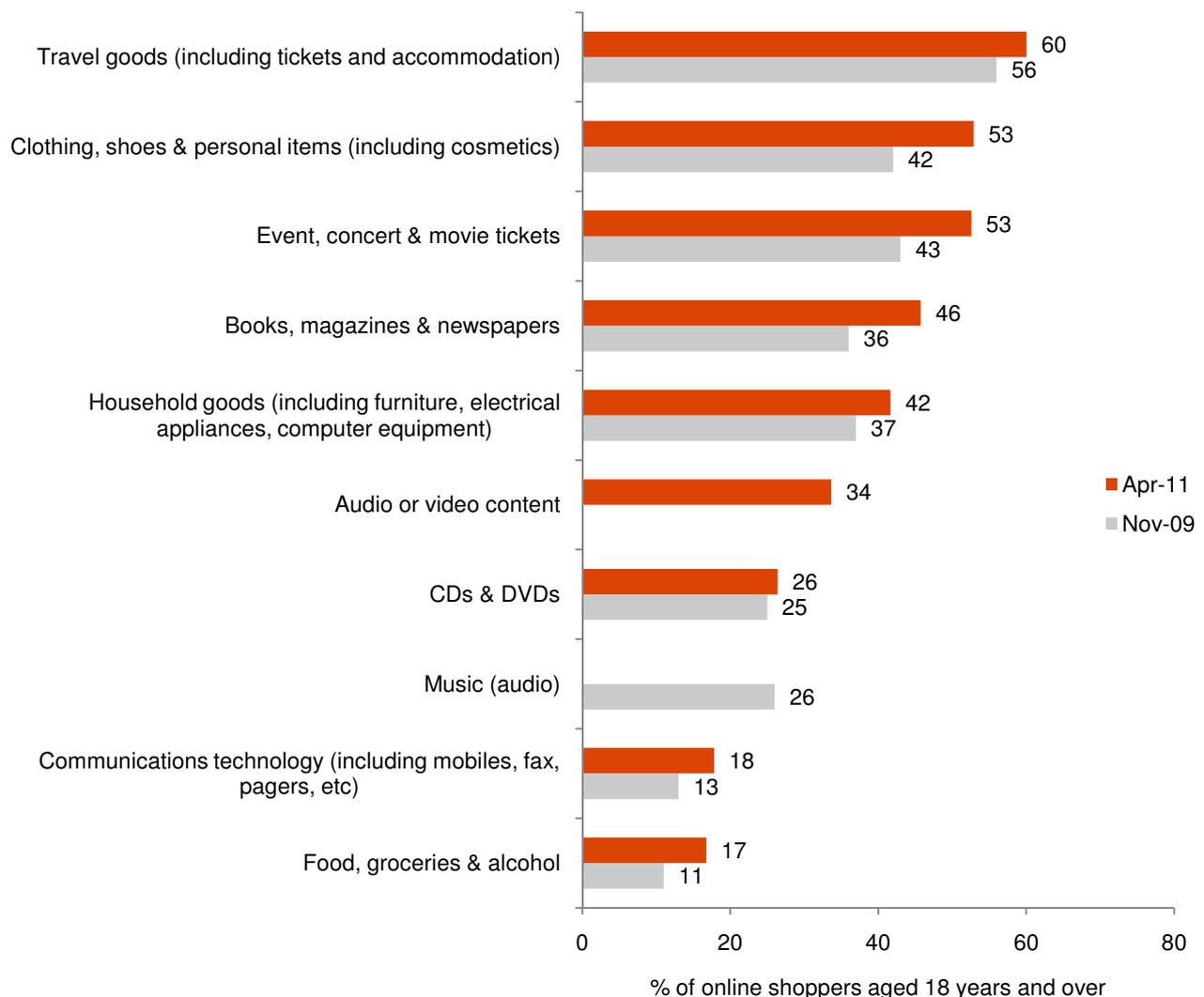
Source: ACMA-commissioned survey, April 2011, n=1,095.

Type of goods and services purchased online

In the six months to April 2011, Australians purchased a wider range of goods and services online. Travel goods, tickets and accommodation were the most frequently purchased items (by 60 per cent of online shoppers), followed by clothing, shoes and personal items; and event, concert and movie tickets (both 53 per cent) (Figure 19). In the 13 months to April 2001, the online purchase of clothing, shoes and personal items recorded the highest percentage point increase (11 percentage points) followed by event, concert and movie tickets; and books, magazines and newspapers (10 percentage points each).

Interestingly, given the continuing development of online distribution channels for digital media, 34 per cent of online shoppers purchased audio or video content for download during the six months to April 2011—although much of this is likely to be buying music.

Figure 19 Goods and services purchased online in the six months to April 2011



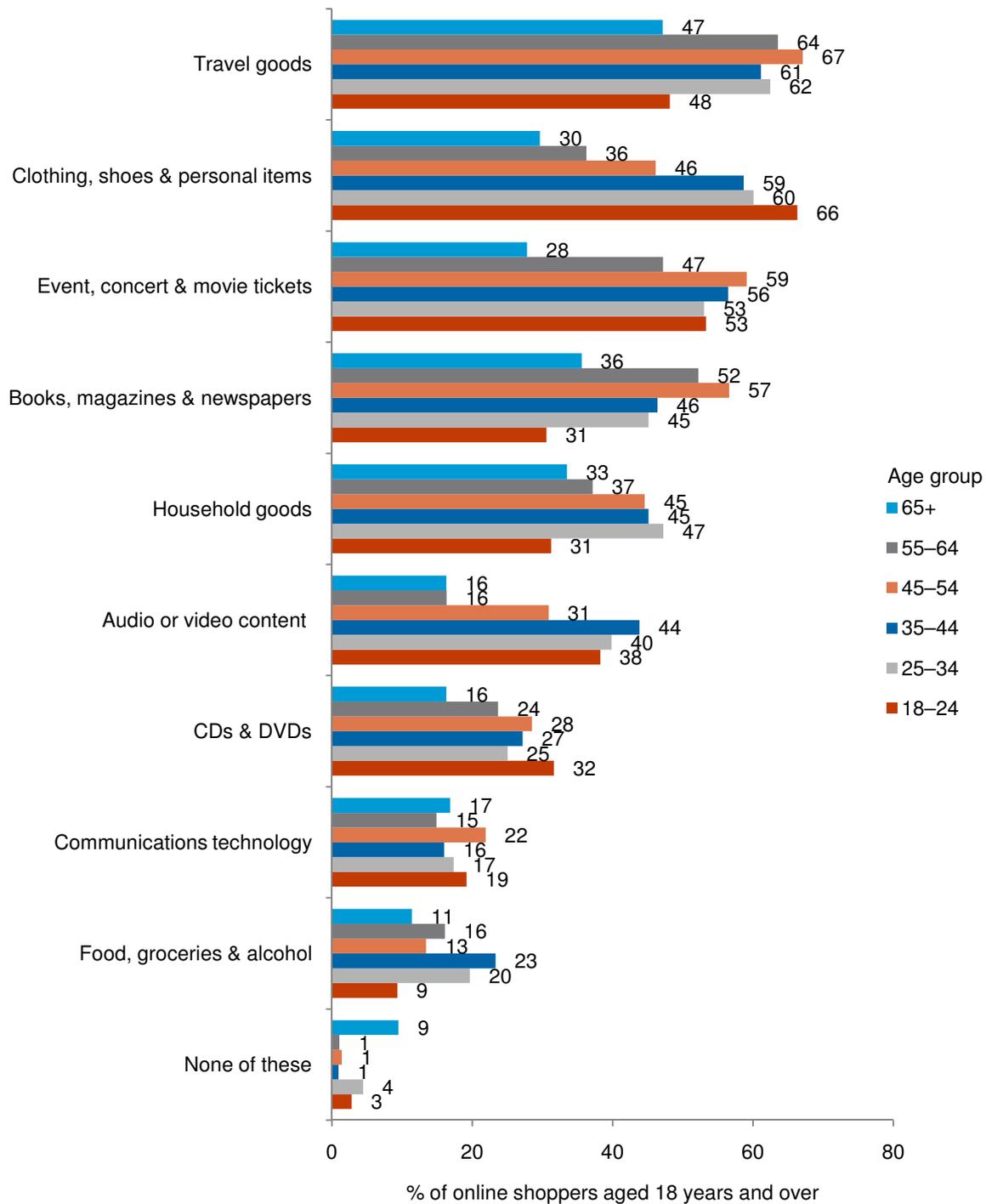
Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone. In the November 2009 survey data relating to video content purchases not collected.

Source: ACMA-commissioned survey, November 2009, n=922 and April 2011, n=885.

Age

For all age groups, except those aged 18–24 years, travel-related items remained the most popular online purchase. For online shoppers aged 18–24, clothes, shoes and personal items were the most popular, with 66 per cent of this age group making a purchase in this category in the six months to April 2011. These consumers were also more likely than other age groups to include CDs and DVDs (Figure 20).

Figure 20 Goods and services purchased online in the six months to April 2011, by age

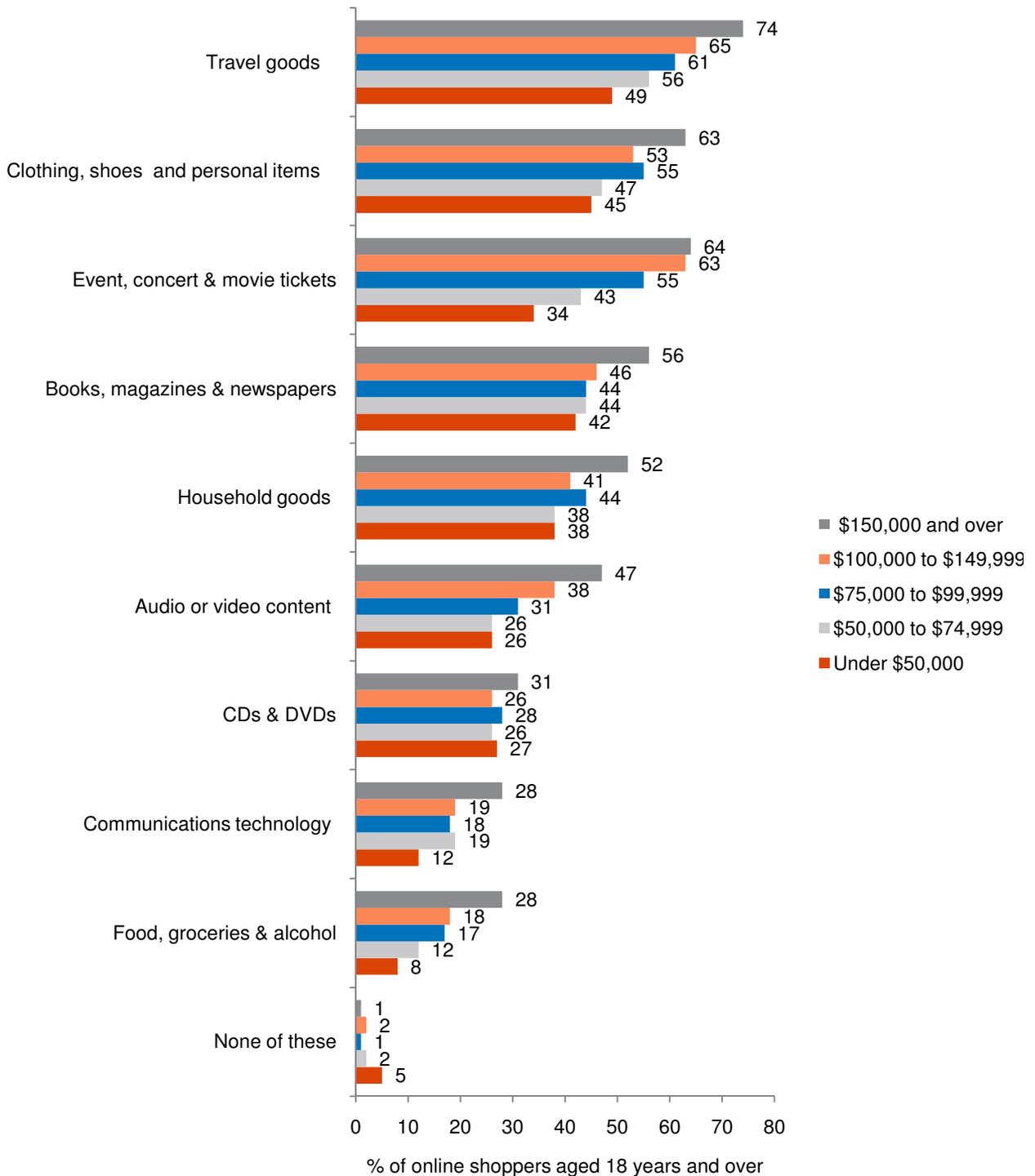


Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.
Source: ACMA-commissioned survey, April 2011, n=885.

Income

Online shoppers with annual incomes of \$150,000 or more had the highest levels of online purchasing across all product and services types, while travel-related items remained the top online purchase regardless of income level (Figure 21).

Figure 21 Goods and services purchased online in the six months to April 2011, by income

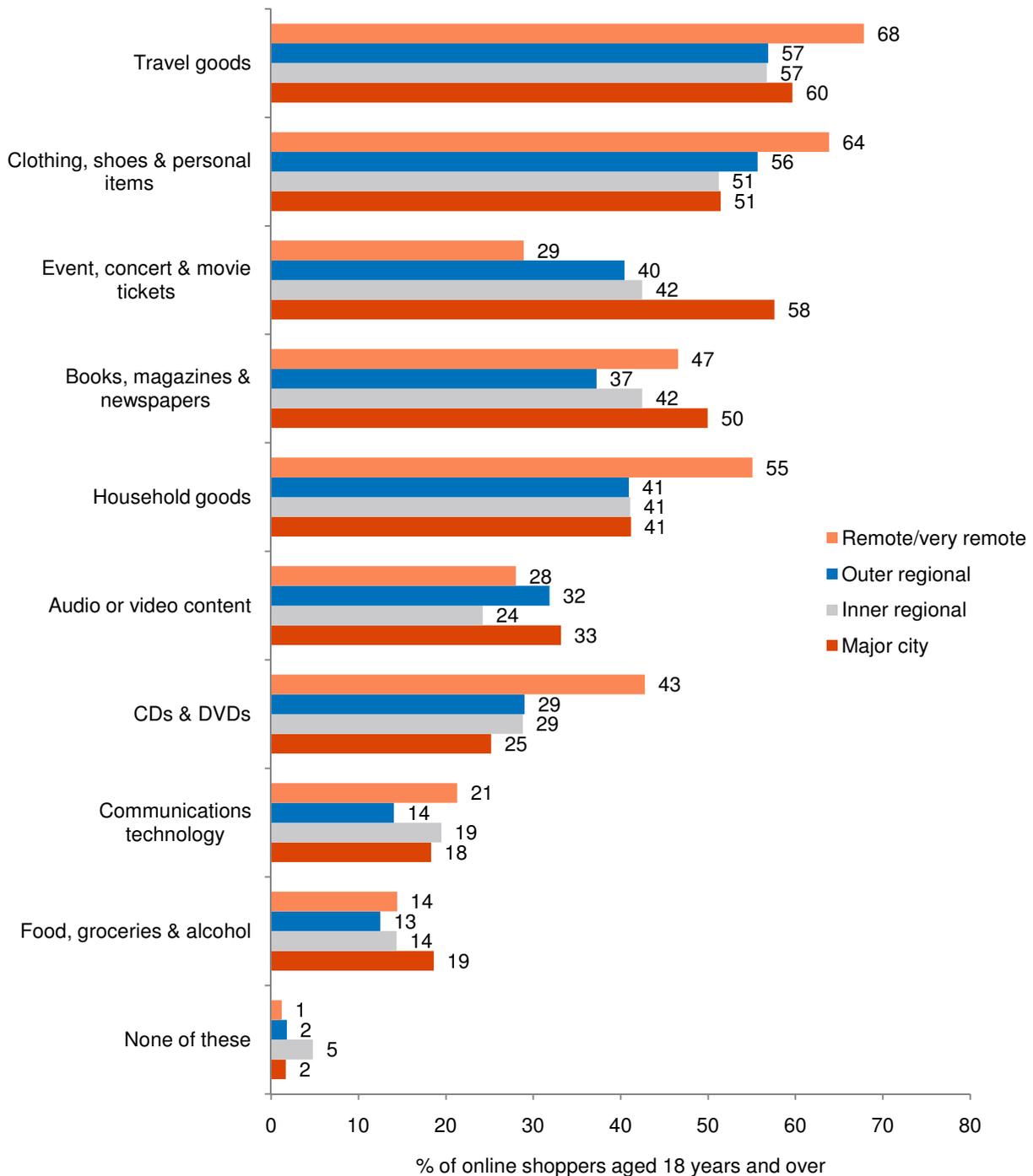


Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone. Source: ACMA-commissioned survey, April 2011, n=885.

Location

Online shoppers in remote/very remote areas invariably have the highest levels of online purchases, except for those goods and services where the proximity of the service provider (e.g. cinemas, concert and event venues) was important (Figure 22).

Figure 22 Goods and services purchased online in the six months to April 2011, by location



Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone. Disaggregated estimates by type of goods and services purchased online for remote/very remote areas have relative high standard errors and are presented here for comparison purposes only.

Source: ACMA-commissioned survey, April 2011, n=1,095.

Location of online purchases—Australia versus overseas

Australians are still predominately shopping from Australian websites; however, in the 18 months to April 2011 there has been a decline in the proportion of adult online shoppers mainly purchasing from Australian websites—from 68 per cent in the six months to November 2009 to 53 per cent in the six months to April 2011 (Figure 23).

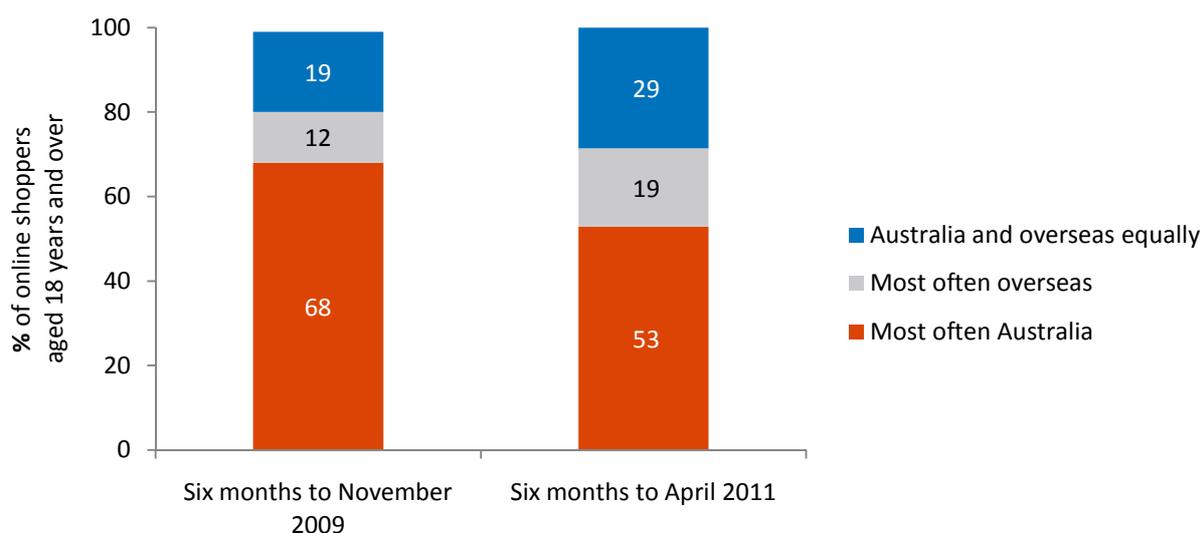
The proportion of online shoppers mostly buying from overseas websites has increased from 12 to 19 per cent; while those shopping from Australian and overseas websites equally has risen from 19 to 29 per cent.

The increase in people purchasing goods and services from overseas sites could be attributed to the increased value of the Australian dollar in 2011 relative to 2009. This is strongly reflected in commentary by Australia Post which reports that “the strength of the Australia dollar throughout 2010–11 encouraged Australian consumers to purchase from overseas online retailers and this increased our [Australia Post] inbound parcel volumes.”¹⁹

Further profiling of online shoppers revealed that:

- > People aged 18–24 years were more likely to shop online on overseas websites or use Australian and overseas websites equally (58 per cent compared to the national average of 48 per cent), and those aged 65 years and over were more likely to shop on Australian websites (61 per cent compared to the national average of 53 per cent).
- > Males (23 per cent) were more likely to purchase from international websites than females (14 per cent).
- > Online shoppers living in regional and remote areas were less likely to shop online on overseas websites (an average of 18 per cent) than those living in major cities (25 per cent).

Figure 23 Location of websites from which Australians purchased goods and services



Note: Excludes 'don't know' responses. Relates to consumers in households with a fixed-line telephone.

Does not total 100 per cent due to rounding.

Source: ACMA-commissioned survey, November 2009, n=916 and April 2011, n=885.

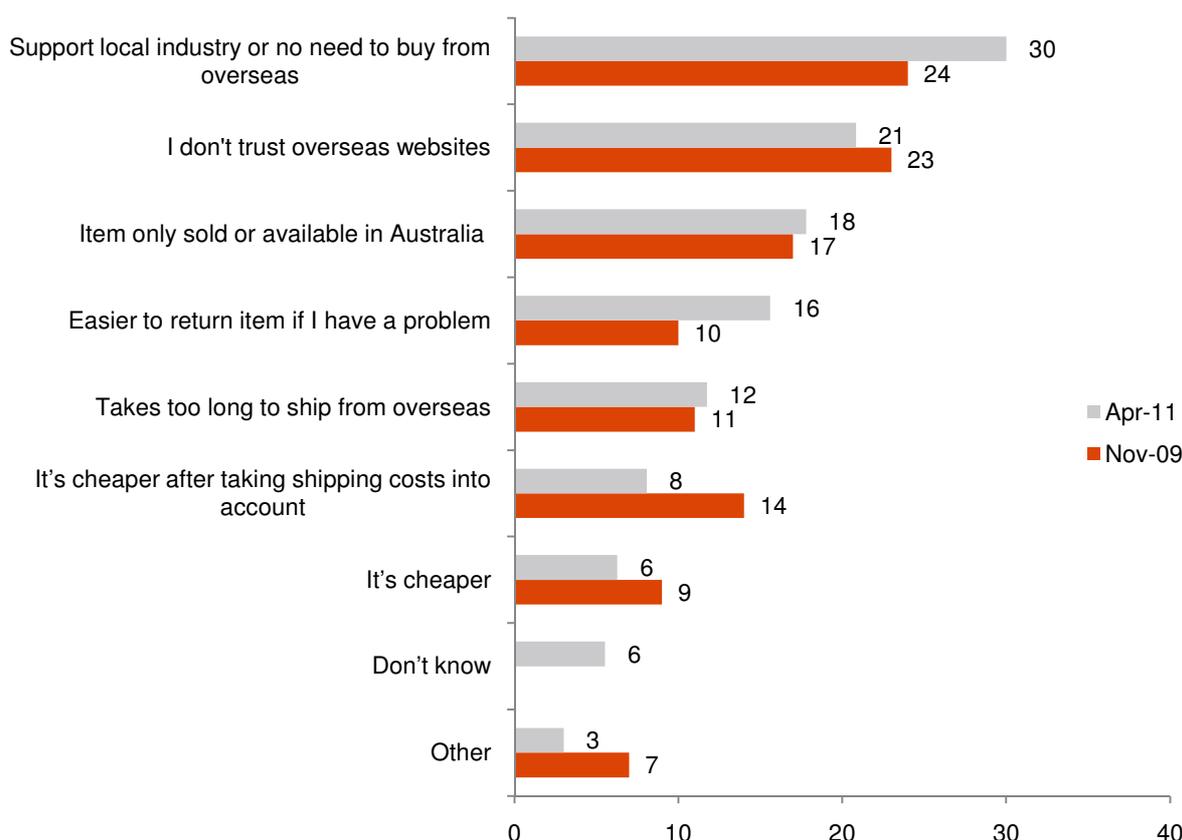
Reasons for purchasing mostly from Australian websites

There are a number of reasons why online shoppers in Australia preferred to buy goods and services from Australian websites in the six months to April 2011 (Figure 24) these included:

- > 'The desire to support local industry' or 'no need to buy from overseas'—30 per cent (24 per cent in 2009).
- > 'I don't trust overseas websites'—21 per cent (23 per cent in 2009).
- > 'Item only sold or available in Australia'—18 per cent.
- > 'Easier to return if I have a problem'—16 per cent.
- > 'Takes too long to ship from overseas'—12 per cent.
- > 'It's cheaper after taking shipping costs into account'—eight per cent.
- > 'It's cheaper'—six per cent.²⁰

Older Australians were more likely to shop online from Australian websites to support local industry or because they felt no need to buy from overseas. Younger Australians were more likely to not trust overseas websites and believe that it takes too long to ship from overseas.

Figure 24 Reasons for mostly purchasing from Australian websites



Note: Relates to consumers in households with a fixed-line telephone. Multiple responses allowed.

Source: ACMA-commissioned survey, November 2009, n=620 and April 2011, n=453.

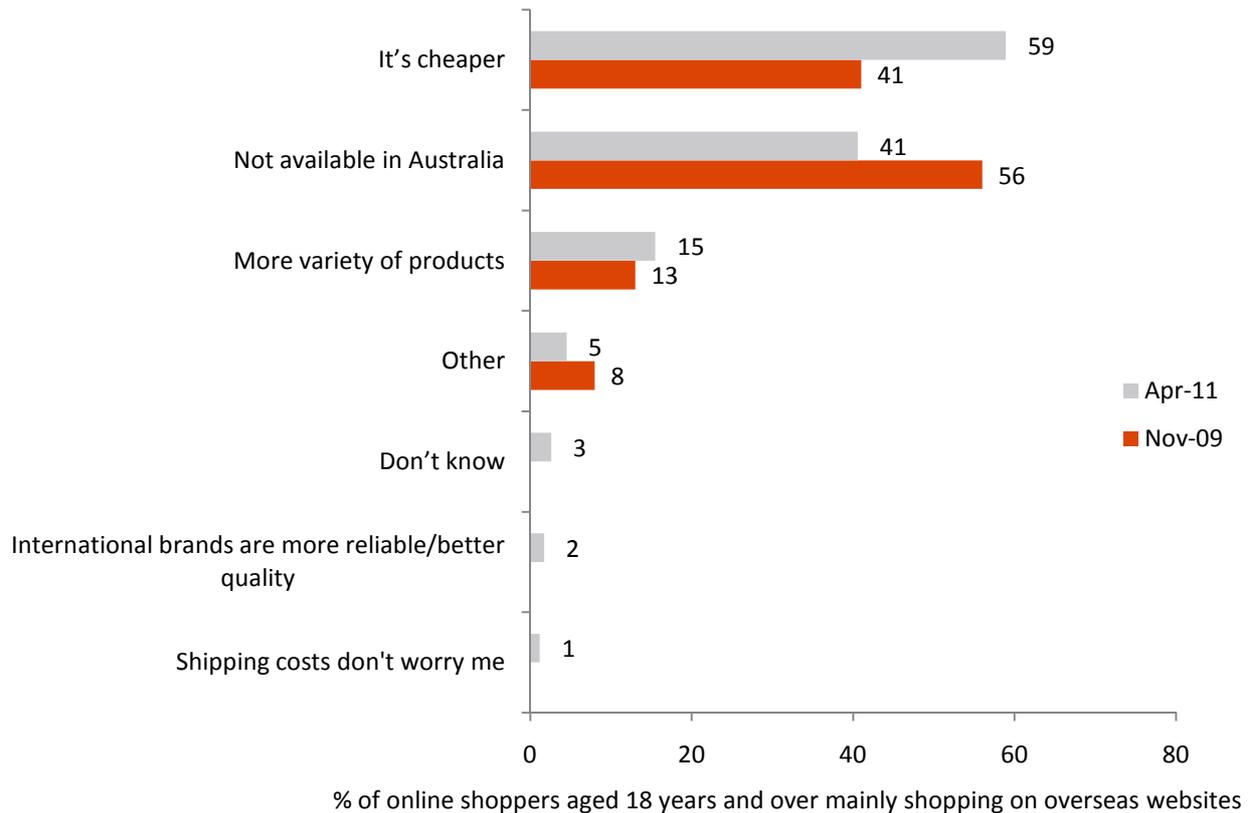
Reasons for purchasing mostly from overseas websites

Of the 19 per cent of online shoppers in Australia who mostly purchased from overseas websites, 59 per cent did so because 'it's cheaper' (Figure 25). This compared to 41 per cent in November 2009. Other reasons were that the goods and services were 'not available in Australia' (41 per cent) and there was 'more variety of

products overseas' (15 per cent). This compared to 56 per cent and 13 per cent in November 2009.²¹

Males (63 per cent) were more likely than females (51 per cent) to buy from overseas because 'it's cheaper'. Females (45 per cent) were more likely than males (38 per cent) to do so because the products were 'not available in Australia'.

Figure 25 Reasons for purchasing mostly from overseas websites



Note: Multiple responses allowed. Relates to consumers in households with a fixed-line telephone.

Source: ACMA-commissioned survey, November, 2009, n=112 and April 2011, n=159.

Endnotes

¹ SMEs are businesses employing 1–200 employees.

² Working Party on Indicators for the Information Economy, *ICT use by business: revised OECD model survey*, January 2006.

³ ACMA-commissioned survey, April 2011.

⁴ ACMA-commissioned survey, November 2009.

⁵ Productivity Commission, *Economic Structure and Performance of the Australian Retail Industry*, draft report, August 2011.

⁶ ABS, *8166.0—Summary of IT Use and Innovation in Australian Business, 2009–10*, June 2011. Figure excludes agricultural sector.

⁷ JB Hi-Fi, *Annual report 2011*, August 2011.

⁸ IBISWorld, *Online Shopping in Australia*, May 2011.

⁹ Telsyte, Australian online group buying market continues its rapid growth, July 2011, <http://www.telsyte.com.au/?p=1082>.

¹⁰ Consumer Affairs Victoria, *Group buying and daily deals*, www.consumer.vic.gov.au/CA256EB500644CE/page/Shopping+and+trading-Lay-bys+gift+cards+and+vouchers-Group+buying+and+daily+deals?OpenDocument&1=920-Shopping+and+trading~&2=020-Lay-bys+gift+cards+and+vouchers~&3=030-Group+buying+and+daily+deals~, accessed 19 October 2011.

¹¹ Nielsen Online, June 2011.

¹² Sensis, *The Online Experience of Small and Medium Enterprises, 2011*, October 2011.

¹³ Roy Morgan Single Source, June 2011.

¹⁴ Sensis, *The Online Experience of Small and Medium Enterprises, 2011*, October 2011.

¹⁵ ACMA, *The internet service market and Australians in the online environment*, July 2011.

¹⁶ ACMA-commissioned survey, April 2011.

¹⁷ Roy Morgan Single Source, June 2011.

¹⁸ *ibid.*

¹⁹ Australia Post, *Future Ready, Annual Report 2010–11*.

²⁰ *ibid.*

²¹ *ibid.*

Appendix—Methodology

Overview of research resources

The data in this report is drawn from a number of sources, including:

- > ACMA-commissioned research, in the form of a survey of consumer attitudes and use of telecommunication services undertaken in April 2011
- > Australian Bureau of Statistics (ABS), *Summary of IT Use and Innovation in Australian Business 2009–10*
- > Nielsen web metrics; in particular, data relating to 'Multi-category: Commerce'
- > e-commerce provider websites and annual reports
- > IBIS World Industry Report X0004, *Online Shopping and Mail-Order Houses in Australia*, May 2011
- > Sensis, *Sensis e-business report, the Online Experience of Small and Medium Enterprises*, September 2011.

ACMA-commissioned research methodology

The ACMA commissioned Ipsos-Eureka to undertake a national telephone survey of communication services in April 2011. The survey was a nationally representative survey and sampled 1,600 respondents aged 18 and over. A secondary sample was also commissioned, which comprised a representative boost of 400 respondents aged 18 and over in regional and remote areas of Australia. This boost allows the ACMA to analyse results by Accessibility/Remoteness Index of Australia (ARIA) classification.

Computer-assisted telephone interviews (CATI) were conducted. Stratified random sampling was applied, using non-interlocking quotas for age, gender and location (but ensuring that each 'population' member, within each designated stratum, had an equal chance of being selected). This ensured low-incidence groups and those that are usually missed by simple random sampling (for example, younger males) were appropriately represented in the research.

An overview of the sample for the ACMA-commissioned survey is outlined in Table 2.

Table 2 Sample breakdown (unweighted)

		Sample size
Gender	Male	995
	Female	1,005
	Total	2,000
Age	18–24 years	265
	25–34	368
	35–44	373
	45–54	356
	55–64	293
	65–74	184
	75 and over	161
	Total	2,000
State	NSW/ACT	646
	Vic./Tas.	554
	Qld	423
	WA	194
	SA/NT	183
	Total	2,000
Location—Accessibility/Remoteness Index of Australia (ARIA)	Major city	1,064
	Inner regional	340
	Outer regional	442
	Remote/very remote	154
	Total	2,000

Data analysis

Results from the survey were analysed using descriptive analysis techniques, and by socioeconomic and demographic factors, to identify any areas with significant patterns or differences. Only results with significant differences are reported in this research.

Cross tabulation (i.e. two way tables) estimates presented in this report, particularly for sub-regions such as remote and very remote areas may have relative high standard errors and are presented for comparative purposes only.

Discrepancies may occur between the sums of the component items and totals due to the effects of rounding.

Previous ACMA research

- > *Australia in the digital economy—Consumer engagement in e-commerce*, November 2010
- > *Telecommunications today—Consumer attitudes to take-up and use*, September 2007.

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